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# China Report

ECONOMIC AFFAIRS



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## NATIONAL POLICY AND ISSUES

### FORMATION OF RATIONAL PRICE SYSTEM REVIEWED

HK271150 Beijing JINGJI YANJIU in Chinese No. 3, 20 Mar 86 pp 56-69

[Article written by Lin Wenyi [2651 2429 4135] of Chinese People's University and Jia Lurang [6328 1462 6245] of Financial and Trade Materials Economic Research Institute of Chinese Academy of Social Sciences in January 1986: "An Inquiry into the Rational Price System"]

[Text] The reform of the price system is the key to the smooth development of the national economy and to the success or failure of the reform of the entire economic system. Then, what is the rational price system, and what is its theoretical basis? We hold that the theory of the formation of the planned price is the theoretical basis for the formation of the rational price system. There are three essential factors for the formation of the planned price: Value, the relations between supply and demand, and policy factors. With regard to value, it is necessary to consider the value of the currency and its changes as well as the value of the commodities and its changes. In addition, under the condition that paper currency is in circulation, it is also necessary to consider the value the paper currency represents. With regard to the relation between demand and supply, it is necessary to consider both the conditions of demand and supply and their short-, medium-, and long-term trends of development. As for policies, it is necessary to utilize fully the objective functions of the economic laws of commodity to implement specific policy intentions such as the adoption of high price policy, low price policy, such as the adoption of high price policy, low price policy, protective price policy, fixed price with subsidies, and so on. This should be done in conformity with the requirements of the socialist economic laws as well as the laws governing the commodity economy. Therefore, when fixing or adjusting prices, the first thing to do is use the value as the basis, and the fluctuation of prices should be based on the changes of value; second, the degree of price approaching or departing from value should be based on the conditions of demand and supply, and the rise or fall of price should be based on the changes of the relation of demand and supply; third, the policy requirements should be implemented on the above basis, and the price should be fixed in accordance with the extent of objective economic laws. Only when the planned price is formed in this way can the price be rational. Since the price system is a unified system formed by

various planned prices on the market according to an inherent and comparable relationship, naturally the rational price system should employ the rational planned prices as units. In other words, the essential factors formed by the rational planned prices are the essential factors on which the inherent and comparable relationship in the rational price system can be established.

If this analysis is correct, the formation of the rational price system should consist first of a rational relationship of value ratio, which reflects the objective requirements of the law of value, and second of the relationship between supply and demand of commodities, which reflects the requirements of the law of demand and supply, and third of the policy requirements toward commodities. The aim is to utilize fully the price levers to raise the social economic results and to expedite the realization of the aim of socialist production. Therefore, the formation of the rational price system should reflect both the requirements of the laws of commodity economy and the requirements of the economic laws of socialism; and in the laws of commodity economy, it should reflect both the requirements of the laws of value and the requirements of the laws governing demand and supply.

A prevalent view is that "the price should conform with the value." When discussing the irrational things in our existing price system and elucidating the necessity of reforming the price system, people often come to the conclusion that the price departs from the value. When proposing the establishment of a rational price system or setting up a standard for evaluating the price system, people often use as the criterion of whether the price conforms with the value, while excluding the relationship between supply and demand and the policy requirements. In particular, the relationship between demand and supply is often regarded as the cause forming the irrational price system, as if the relationship between demand and supply would make the price depart from the value. Some people simply hold that the rational price system should be based on the requirements of the laws of value. Although some people admit that the relationship between demand and supply should be taken into account, they still think that the law of supply and demand is not a separate law independent of the law of value, and that its entire content is already included in the law of value.

As a matter of fact, in our existing planned prices, there has long been the phenomenon of comparatively higher prices for long-term products and comparatively lower prices for short-term products. This violates the law of supply and demand, leading to long-term products becoming longer and short-term products becoming shorter. For some commodities, the relationship between supply and demand has changed greatly and significantly, but the prices remain the same for a long time. Therefore, it is one-sided to treat the irrational things in the price system as only the departure of the price from the value.

It is obvious that a rational price system depends first on a rational ratio of value. However, the two are not the same thing, and a rational ratio of value should not be regarded as the only basis for a rational price system. In fact, the formation and movement of price are restrained not only by the law of value, but by the law of supply and demand. When supply fails to meet demand, prices rise; when supply exceeds demand, prices fall. The rise of price can stimulate the development of production and the increase of supply, while inhibiting demand; the fall of price can stimulate demand, while inhibiting production and supply. This is independent of man's will. Since value can be realized through the market, the form of expressing value -- the price -- cannot but be restrained by the market's environment and condition (primarily the relationship between supply and demand). In order for price to conform with value, demand and supply must be in a state of equilibrium, it is certain that price will depart from value; and price can conform with value only when demand and supply are balanced. This is a true expression of the law of supply and demand, and it should be taken into consideration when formulating or adjusting prices. In reforming the price system, if the ratio of value is taken as the only basis for fixing price with the aim of making price conform with value in every possible way, this is in fact amounts to the negation of the law of supply and demand and treats the law of value as the only basis. This means that the price is made to conform with the value even if the imbalance of demand and supply is quite obvious, resulting in the difficulty in establishing a rational price system. When supply fails to meet demand, the price should be higher than the value, so that production can be promoted, supply increased, and demand inhibited, and a state of balance can be achieved; under this condition, if the price is made to conform with the value, the state of supply failing to meet demand will become even more serious. On the other hand, when supply exceeds demand, the price should be lower than the value, so that production can be inhibited, supply decreased, and demand stimulated, and a state of balance can be achieved; under this condition, if the price is made to conform with the value, the state of supply exceeding demand will become even more serious. This will violate the law of supply and demand. The objective law is independent of men's will. If the planned price is arbitrarily made to conform with the value, the fluctuation of the spontaneous price (the black market) will become even more drastic. Therefore, a rational price system cannot be established if only the law of value is taken as the basis, the price is made to conform with the value, and the price system is established in accordance with the ratio of value.

A rational price system should take into consideration not only the requirements of the law of value, but also the law of supply and demand. Only when the planned price can reflect the requirements of the law of supply and demand is it possible to balance supply and demand and make the price conform with the value as much as possible. Hence, when the price system is irrational and many prices depart from their value, we should not rashly and indiscriminately make the price conform with the

value. On the contrary, more importance should be attached to the functions of the law of supply and demand and the departure of the price from the value should be utilized to balance demand and supply, and this is what is needed in achieving a rational price system.

There are now comparatively more prices that depart from their value; these prices should not be indiscriminately called irrational prices. First, this is caused by the above market situation; second, the phenomenon of prices departing from value should be analyzed -- some are rational and some are irrational. Prices higher than their value under the condition of supply failing to meet demand are rational; prices adequately lower than their value under the condition of supply exceeding demand should be maintained. Irrational departure means: 1) prices departing from value under the condition of mainly balanced demand and supply; 2) under the condition of unbalanced demand and supply, prices lower than value for commodities the supply of which fails to meet the demand, but prices higher than value for those commodities the supply of which exceeds the demand; 3) under the condition of unbalanced demand and supply, prices higher than value too much or too little for those commodities the supply of which fails to meet the demand, or prices lower than value too much or too little for those commodities the supply of which exceeds the demand. All these should be adjusted. The extent of departure of price from value should be appropriate. Therefore, the problem does not come from the law of supply and demand, which has nothing to do with the irregularities in the price system. The problem lies in whether the requirements of the law of supply and demand are correctly reflected and on whether the prices are correctly formulated or adjusted in accordance with the conditions of demand and supply and their trend of developments.

The law of supply and demand is the law peculiar to the commodity economy and is a basic law in the circulation of commodities. So long as there is circulation of commodities, there exists the law of supply and demand. Furthermore, commodity economy does not belong to capitalist society alone, and it exists extensively and develops in socialist society. Hence, the law of supply and demand also exists and functions objectively in socialist society. The law of supply and demand must not be regarded as a law destined to function spontaneously. Just as the law of value can be understood and consciously utilized in socialist society, the law of supply and demand poses no exception. Therefore, we should never think that a rational price system can be established only on the basis of the law of value and according to the ratio of value, and should not erroneously think that the price system would be affected if the law of supply and demand is taken into account. The idea that the law of supply and demand is a spontaneous economic law is in fact to pit this law against the planned price and therefore the rational price system, and to regard the relation between demand and supply as a spontaneous factor that affects the planned price. The contrary situation is that without consciously understanding and utilizing the law of supply and demand, the planned price cannot be satisfactorily formulated or adjusted and a rational price system cannot be established.



For a long time in our country, owing to the divergence of theoretical understanding, either the objective existence of the law of supply and demand was not recognized, or it was arbitrarily included in the law of value without acknowledging its independent existence. Up to now, the former understanding has been on the decline, but still quite popular is the latter, which regards as the expression of the function of the law of value all these phenomena: The fluctuation of the price under the influence of supply and demand which reflects that the value is the axis of the price movement; the phenomenon of the price moving toward or departing from the value. As a matter of fact, the requirement of the law of value is that the price should conform with the value determined by the social requisite time of labor; the value determines the price, and requires that the price should fluctuate around the axis of the value. However, the law of supply and demand requires that the price should fluctuate along with the changes of demand and supply and rises and falls with the change of conditions of demand and supply. The relationship of demand and supply cannot determine the value and cannot determine the condition governing the changes of the price around the axis of value. However, it can determine the rise or fall of prices, which makes it possible for this relationship to affect the movement of the price toward value or the departure from the value. The law of supply and demand and the law of value are two different things. One forms the basis for price; and the other determines changes of price. The association between them is that the functions of the law of supply and demand lead to the change of price, which makes the price fluctuate around the value. Hence, the function of the law of value must depend on the function of the law of supply and demand for its implementation. Furthermore, the association between the law of value and the law of supply and demand does not obliterate the difference between them, and the law of supply and demand can in no way be included into the law of value. We cannot negate the fact that the law of supply and demand is also a basis for establishing a rational price system, and we cannot regard the law of value as the only basis.

A rational price system should not only base itself on the requirements of the law of value and the law of supply and demand, but should also take into consideration the requirements of policy. Since we want to establish a socialist system of planned prices, we have to consider socialist principles as well as the laws governing the commodity economy. In other words, the price system should be beneficial to the consolidation of socialist public ownership, development of the socialist economy, implementation of the socialist relation of exchange and mutual cooperation, and realization of the planned economy. In short, the requirements of the socialist economic laws must also be reflected. In the past, it was overemphasized that socialist principles be strictly adhered to and that the price system conform with the requirements of the socialist economic laws; policy was regarded as the only basis, giving little consideration to the law of value and negating the law of supply and demand. Naturally, this was wrong. However, we should not now rely only on the requirements of the commodity economic laws for achieving a

rational price system and take no heed of policy requirements. For example, subsidies were indiscriminately granted in formulating and adjusting prices and an irrational policy of purchasing at high prices and supplying at low prices was practiced, resulting in a heavy burden for the state; on the contrary, some people now hold that subsidies are bound to hamper the normal development of the commodity economy and policy requirements are certain to hinder the functioning of the economic laws.

As a matter of fact, in the development of the commodity economy, there also exists the problem of the superstructure serving the economic basis. Naturally, this service also comprises utilizing state subsidies to facilitate the development of the socialist economy. The problem is not whether we should grant subsidies, but that the subsidies granted be truly required by the development of the socialist economy and be within the financial resources of the state and that subsidies should never be used to protect backwardness. Similarly, policy and economic laws are not inherently contradictory. No doubt, policy belongs to the superstructure and is the product of subjective thinking. However, if policy can suit the requirements of the economic basis and correctly reflect the requirements of the economic laws, it will certainly not hamper the normal development of the commodity economy, nor will it hinder the functioning of the economic laws. On the contrary, a correct policy can serve the economic basis and pave the way and provide a good environment for the functioning of the economic laws; furthermore, under the socialist conditions, a correct policy can reduce the impact and evil effect of the blind and spontaneous functions of the economic laws, thus providing favorable conditions for consciously utilizing the economic laws.

From the above, it can be seen that a rational price system cannot be established without giving due consideration to the law of supply and demand and to policy requirements. If the price is arbitrarily made to conform with the value, thus making the price system equivalent to the ratio of value, the end result will be chaos and hindrance for the normal development of the national economy, making it difficult for the economic reform to proceed. This is because such practice will make it hard for the price lever to function, thereby leading to the following consequences:

1. The development of production will be unable to cope with the structure and the changes of the consumption needs. That is to say, it will be difficult for economic development to proceed harmoniously and on a proportionate basis. This is because the prices of products failing to meet demand will tend to be low, which will prevent the flow of the social funds, manpower, and material resources to the departments producing these products; on the other hand, which will hamper the withdrawing of the social funds, manpower, and material resources from the departments producing these products.

2. It will hamper the improvement of the varieties and patterns of products, and will particularly hamper the enhancement of quality. Very often, some products with superior quality and wide acceptance among customers are unable to meet demand, but their prices are comparatively low due to the above practice, which will discourage the producers from maintaining the fine varieties and quality of their products; on the other hand some products with poor quality and poor acceptance among customers exceed demand, but their prices are still comparatively high due to the above practice, which will discourage the producers from endeavoring to improve the varieties and quality of their products.

3. It will be harmful to the organization of commodity flow. For example, in some regions in which supply cannot meet demand, the above practice makes it impossible to raise the prices to some extent, which will hamper the in-flow of commodities from other regions; whereas in some regions in which supply exceeds demand, the above practice makes it impossible to lower the prices to some extent, which will hamper the out-flow of commodities to other regions. Another example is that when supply exceeds demand in some periods in which production rises but sales drop, the above practice makes it impossible to lower the prices to stimulate consumption; whereas when supply cannot meet demand in some periods in which production falls but sales rise, the above practice makes it impossible to raise prices to inhibit consumption. A further example: When a certain commodity is in short supply, the above practice makes it impossible to widen the price differential between purchase and sales for wholesale business so as to encourage purchase from both local and outside sources; whereas when supply exceeds demand, the above practice makes it impossible to widen the price differential between wholesale and retail business to encourage marketing and the flow of commodities from cities to the countryside.

4. It is not beneficial to stabilizing the people's livelihood and guiding the people in improving their consumption. This is because the above practice makes it impossible to maintain adequate prices by granting requisite subsidies to people's daily necessities when commodities are in short supply and when prices rise; whereas it is impossible to encourage and guide consumption by adequately lowering the prices of commodities that suit the people's needs when the supply exceeds the demand and commodities are overstocked.

5. It will be unable to encourage the adoption of new technology and new products. New products and new technologies are often high in cost and their sales are limited because they are still not widely accepted by customers or factory end users. If subsidies are not adequately granted and their selling prices are not adequately taken care of, it will be impossible for these products to gain good sales or to compensate their losses, and in this way it will not be possible to give encouragement to reduction and marketing.



7. It will be unable to ensure the important revenue of the state. A considerable portion of state revenue and taxes comes from the profits and taxes of high-priced commodities (including television sets, refrigerators, recorders, watches, electrical home appliances, as well as wines and cigarettes). If the price must conform with the value, these high-priced commodities (the extent of price higher than the value should of course depend on the level of purchasing power and the condition of demand and supply) must be sold at ordinary prices. How then can the requisite state revenue be ensured?

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## NATIONAL POLICY AND ISSUES

### ESTABLISHMENT OF PRODUCTION BASES IN NORTHEAST CHINA

SK220554 Shenyang DONGBEI JINGJI BAO in Chinese No 35, 5 Apr 86 pp 1, 4

["Excerpts" of speech by Wang Luming, deputy director of the Northeast China Economic Zone Planning Office of the State Council, delivered at the forum on rural development of the Northeast China economic zone: "Cooperate To Develop Rural Commodity Production Series"--date not given]

[Excerpts] The provinces in Northeast China, as a complete economic zone, are closely related to one another in terms of either history or geographical positions. Such relations become all the more close, in particular, during the socialist modernization drive, and following the development of the commodity economy. It is an objective requirement of the development of the socialist commodity economy to carry out discussions between the east and the west, or between the north and the south areas of the economic zone, or to carry out exchanges among the provinces and the region to promote lateral economic cooperation. It will certainly facilitate a rapid development of our socialist construction.

This forum is the first one to study rural development since the establishment of the Northeast China Economic Zone Planning Office of the State Council. I will now give some opinions on the rural development of the Northeast China economic zone and, in particular, on how to cooperate to develop commodity production series.

Strengthen the Building of the Various Categories of Production Bases in the Rural Areas of the Zone, and Develop Rural Commodity Production Series

The Northeast China economic zone is one of the important industrial as well as agricultural bases of our country. During the "Sixth 5-Year" Plan period, the state will also prepare to establish several commodity production bases one after another in this zone, such as soybean and corn export bases, fine-quality rice bases, forestry and timber bases, animal husbandry bases, aquatic product bases, apple and berry bases, and American ginseng bases.

Based on the economic situation of Northeast China, we should give priority to the establishment of the following kinds of agricultural bases to develop commodity production series.

1. Establishment of marketable grain bases, and grain and soybean production series.

The Northeast China, in particular the Songliao, Songnen, and Sanjiang plains, and the central chernozem area, is one of the important marketable grain production bases of the country. Thanks to the household output-related contract responsibility system, the situation in grain production was very good during the "Sixth 5-Year" Plan period, and the results and contributions were significant. During the "Sixth 5-Year" Plan period, the average annual grain output was close to 100 billion jin, and the output of 1984 alone reached 103.1 billion jin. The population of that year was 102.38 million and, therefore, the per-capita amount of grain was 1,003 jin, 200 jin more than the national average. In 1985, the grain output of the zone declined by about 24 billion jin due to floods. It is not difficult to see from this that how to stabilize and develop the grain production of Northeast China is an important task for study. The state places fairly great hopes on the grain production of northeast China during the "Seventh 5-Year" Plan period, and has assigned us fairly heavy tasks. The 1986 target is 97.52 billion jin, of which 27.5 billion jin should be produced by Liaoning, 30 billion jin by Jilin, 33 billion jin by Heilongjiang, and 7.02 billion jin by the three leagues and one city in the eastern part of Nei Monggol. The 1990 grain production target for the entire Northeast China will be 110.6 billion jin, 7.5 billion jin more than in 1984, which marked a year of bumper harvest.

We should also attach great importance to land in order to guarantee a stable grain growth. Land, mainly farmland, is the basic means of production needed in the process of grain production. At present, there are two problems concerning land. The first is the continuous reduction of farmland. We can say that in Northeast China, farmland has been occupied to a serious extent. As far as I know, as much as some 1 million mu of farmland was occupied in a year in Heilongjiang when the situation was worse. Thanks to improved management, farmland occupied for capital construction use was reduced to 200,000 mu in 1985. In Liaoning Province, 560,000 mu of farmland was occupied for capital construction use in 1985. The second problem is the general reduction of the fertility of farmland. The reasons for the fertility reduction are aggravated by land erosion, and the low input to farmland and slackness in field management. We should pay close attention to these problems. There are still two basic ways of grain production. One is intensive farming to increase per-unit yields, and the other is to have sufficient areas for planting.

2. Establishment of forestry bases, and timber and other forest product production series. Abundant in forest resources, Northeast China now has 35.34 million hectares of forests, amounting to 28 percent of the total area. Forest reserves are also very considerable.

Since the founding of the PRC, Northeast China has scored great achievements in forestry, and made tremendous contributions to the economic construction of the state. However, consumption of resources outstripped their growth, and the present forest crisis has become increasingly serious.

It is necessary to greatly develop diverse undertakings and multipurpose utilization on the premise of gradually restoring the benign cycle of forest areas and maintaining an ecological balance in order to turn the advantage in resources into economic advantage. Forestry production should be commercialized and serialized, the relations among lumbering, tree planting, and marketing should be brought into balance, pre- and post-production service should be successful, and forest products should be greatly developed. In building forests, we should, on the one hand, successfully build forest bases in mountainous areas and, on the other, build shelterbelts and fuel forests in the vast plains. We should pay particular attention to the building of shelterbelts in the North, Northeast, and Northwest China. We should implement the policy of taking forest cultivation as the foundation. In forestry development, we should exert persistent efforts, support the forests which need long growing period with those needing short growing period, and emphasize the cultivation of young and middle-aged forests and fast-growing and high-yielding forests.

3. Establishment of animal husbandry bases, and various animal husbandry product production series. Northeast China is provided with favorable conditions for animal husbandry development. There are vast grasslands in the three leagues and one city of Eastern Nei Monggol, and the acreage of the grasslands of Liaoning, Jilin, and Heilongjiang Provinces is nearly 100 million mu. The world-famous Hulun Buir great grassland, the Songnen grassland, and the grassland in the Sanjiang plain are all located within our economic zone. We are really richly endowed with nature to have such good bases for animal husbandry development. In reality, however, our animal husbandry development is far from being ideal. Take the meat targets of Liaoning, Jilin, and Heilongjiang of 1984. The total meat output of Liaoning Province was 1.16 billion jin, with the per-capita amount of 31.7 jin; that of Jilin was 570 million jin, with the per-capita amount of 24.9 jin; and that of Heilongjiang was 700 million jin, with the per-capita amount of 21 jin. All the three provinces lagged behind the national average of 33.81 jin in terms of per-capita meat output. The planned targets of 1986 are higher than those of 1984 and 1985, with the target of Liaoning being 1.26 billion jin, that of Jilin being 700 million jin, and that of Heilongjiang being 850 million jin. However, the situation of shipping pork in from the areas inside the Shanhaiguan will remain. According to the state plan, 35,000 tons of pork will be shipped to these three provinces, with 5,000 tons to Liaoning, 5,000 tons to Jilin, and 25,000 tons to Heilongjiang. Egg and milk supply of these three provinces are slightly better than other areas of the country. In short, animal husbandry is a very weak link of Northeast China. According to statistics, the secondary productive forces of the three northeast provinces are, in general, low. Meat output from per 100-mu farmland is merely 1,034 jin, slightly higher than the Loess Plateau only in the country, amounting to one-eighth of that of high-yielding areas of the country, and amounting to one-tenth of that of advanced countries of the world. Therefore, we should see our difference as well as potential, make the best use of the favorable conditions of the Northeast China Economic Zone, greatly develop animal husbandry, and upgrade the position of animal husbandry in the rural economy.

While developing animal husbandry in farming areas, we should also develop it in pastoral areas. Pastoral areas should also develop diverse undertakings as mountainous areas do, and carry out multipurpose utilization. As farmland, grassland should also be managed more intensively, and be improved. The new grass production industry should become an important branch of industries. We should combine farming and animal husbandry, carry out serialized production of meat, milk, eggs, wool, and fur products, and coordinate production, supply, and marketing.

4. Establishment of aquatic product production bases, and commodity production series. The Northeast China economic zone has 2,492 km of coastline, accounting for more than 10 percent of the nation's total, 19.1 million mu of shallow waters, 2.45 million mu of beaches, and 930,000 mu of reef areas. It also has many rivers, lakes, and reservoirs in its inland area, which constitute a favorable condition for aquaculture. Over the past few years, through the contract system, the cooperation with other areas, and the policy of opening to the outside world and enlivening the domestic economy, Northeast China achieved great development in aquaculture. According to statistics of Liaoning, Jilin, and Heilongjiang, the 1985 output of aquatic products was 612,000 tons, of which 530,000 tons were produced by Liaoning, 60,000 tons by Heilongjiang, and 22,000 tons by Jilin. Judging from the resources, however, the potential is still very great. According to an investigation report on Liaoning's agricultural resources, the areas of shallow seas that have been already utilized amounted to only 9.7 percent of the total, the utilized beaches amounted to only 21.9 percent of the total, and the utilized rocks and reefs amounted to only 3 percent of the total. Inland water areas have yet to be fully used.

The state has assigned a task of producing 661,000 tons of aquatic products to Liaoning, Jilin, and Heilongjiang in 1986. Of the total, Liaoning should produce 570,000 tons, Jilin 25,000 tons, and Heilongjiang 66,000 tons. The task for 1990 is 660,000 tons [as published], of which 700,000 tons should be produced by Liaoning, 60,000 tons by Jilin and 100,000 tons by Heilongjiang.

In the production of aquatic products, we should make a success of both marine products, and fresh-water products, of both staple products, and rare products. Northeast China produces many kinds of aquatic products, such as sea cucumber, prawn, *oncorhynchus keta*, red trout, surgeon, and dabai [1129 4101] fish in Xingkai Lake. They are well-known at home and abroad. We should conscientiously organize their production.

5. Establishment of dried and fresh fruit bases, and commodity production series. Known as the "home of apples," Liaoning is one of the important fruit production bases of the north China. It has a long history of fruit production, rich resources, and many varieties. At present, it has nearly 5 million mu of orchards, and in 1985 alone, its fruit output was 16 million dan (its highest annual output of 20 million dan was reaped in 1983), of which 14 million dan was apples, accounting for 25 percent of



the total apple output of the country, and ranking second. About 80 million jin was exported a year, which represented about 60 to 70 percent of the total export volume of the country.

6. Do a good job in vegetable and nonstaple food production bases on city outskirts, and commodity production series. With fairly developed industries, Northeast China has 62 large and medium-sized cities with 35 million residents. The percentage of urban residents is higher than the national average, and the ratio of urban residents to rural residents is 4 to 6. This means that the vegetable demand of our urban population is greater than the national average. In addition, vegetable growing period is short in north China. Therefore, the task to ensure vegetable supplies to cities, industrial and mining areas, and forest areas is more arduous in Northeast China.

Greatly Develop Township Enterprises, Operate Rural Industries to Support Agricultural Production, and Expand the Rural Economy in a Coordinated Manner

While developing agriculture to maintain economic stability, we should exert great efforts to develop industries to achieve prosperity, and to develop commerce to enliven the economy. As an important component of the rural economy, township enterprises have been expanded fairly rapidly in Northeast China over the past few years. In 1985, the output value of the township enterprises of Liaoning Province was 13.2 billion yuan, showing an increase of 47.6 percent over that of 1984. The output value of the township enterprises has amounted to more than 50 percent of its total rural product. The output value of Heilongjiang increased from 2.87 billion yuan in 1984 to 4.17 billion yuan in 1985, a 45 percent increase. Generally speaking, the development of township enterprises in Northeast China has been rapid over the past few years, but still lags rather far behind its resources foundation, technological conditions, and geographical position. We should give full play to our own advantage, strengthen lateral cooperation, develop township enterprises more successfully, and make them more flourish. We should work out good plans, and open up more avenues.

The development of township enterprises should be based on agriculture, which in turn will be promoted by township enterprises. In the No 1 document issued this year, the central authorities put forward the need to coordinate the development of agricultural and rural industries, and to implement the policy of supporting agricultural production with rural industries. This will certainly promote agriculture. The state has decided that in the coming 5 years, 1 billion yuan from the taxes levied from township enterprises will be set aside every year to serve as special funds for supporting agriculture, and is working out plans for this. In short, we should properly handle the relationship between agriculture and rural industries, make them supplement each other, and develop them simultaneously.

## Develop Later Economic Cooperation, and Promote the Rural Economic Reform

Lateral economic cooperation is a requirement of the development of the socialist commodity economy, and also a requirement of large-scale socialized production. It is one of the basic prerequisite for the existence and development of the commodity economy. There will be no commodity economy without it. Lateral economic cooperation also serves as a strike to the barriers between different departments and different regions. These barriers are obstacles to the development of the socialist commodity economy. In this sense, expansion of lateral economic cooperation helps eliminate the barriers.

What we should earnestly study now is, in the realm of the rural economy, particularly in the Northeast China economic zone, how we should expand lateral economic cooperation, in what fields we should seek cooperation, what the content of the cooperation should be, what forms or measures we should adopt, what principles we should abide by during cooperation, etc. All of these are new questions. We should study well the State Council's "Regulations on Some Questions Concerning Further Promoting Later Economic Cooperation," and expand the cooperation in line with the actual conditions of the development of the rural commodity economy.

Following the development of agriculture, the role of science and technology becomes more and more important. In order to develop agriculture rapidly, we should greatly strengthen agroscientific research, and application of technologies, increase intellectual investment, upgrade peasants' scientific and general knowledge levels, and train technical personnel. The agroscientific research institutions in Northeast China should fully perform their functions, and contribute their efforts to the modernization of agriculture.

In conclusion, I will point out that as a complete economic zone, Northeast China should conscientiously study the strategy for the rural development, and work out an overall rural development plan corresponding to the situation of the Northeast China economic zone. It should study strategic goals for development, strategic ideology, strategic distribution, and strategic measures. We should work out a rural development strategy for the entire Northeast China economic zone on the basis of the study of individual provinces and the region.

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CSO: 4006/1064

## ECONOMIC DEVELOPMENT ZONES

### BRIEFS

NINGBO INTERNATIONAL AIRPORT CONSTRUCTION--Ningbo, May 20 (XINHUA)--Ningbo, a major port city in Zhejiang Province, is opening up international air routes, reconstructing scenic spots and expanding the number of hotel rooms to meet the needs of overseas tourists and seamen now coming in greater numbers. The coastal city's first international airport is under construction and is expected to be put into use next year to cater to overseas tourists, the number of which has grown at an annual rate of 37 percent since 1979. [Excerpt] [Beijing XINHUA in English 1108 GMT 20 May 86 OW] /6662

CSO: 4020/334



## ECONOMIC PLANNING

### TIANJIN PLANNING TO EXPAND INDUSTRIAL BASE

OW251934 Beijing XINHUA in English 1542 GMT 25 Apr 86

[Text] Tianjin, 25 April (XINHUA) -- Tianjin, north China's biggest port and major industrial base, will build an industrial estates for metallurgical, chemical, woolen textile and petroleum factories in an area east of the city during the Seventh 5-Year Plan (1986-1990), according to Major Li Ruihuan.

China's new 5-year plan was adopted earlier this month at the national people's congress. Local governments are working out their own plans according to the targets and tasks set in the national plan.

At a meeting of the Tianjin municipal people's congress now in session, Li said the city will build a plant with an annual capacity of 500,000 tons of seamless steel tubes and a large copper factory, expand chemical fiber and three woolen textile mills and update three chemical works.

The output of the Dagang oilfield will be raised and the petroleum refinery improved.

As for the nearby economic and technical development zone, construction will be concentrated on a three sq km industrial district and a 1.2 sq km housing area in the next 5 years. The zone's industrial output is expected to reach 10 billion yuan by 1990, doubling the 1985 figure.

By the end of 1985, contracts had been signed with overseas businesses for 20 joint ventures and cooperative enterprises in the zone.

Meanwhile, he said, new berths will be built at Tianjin's new harbor to raise its capacity by 55 percent. Also, the airport will be updated and new air services added.

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## ECONOMIC PLANNING

### GANSU PLANNING, FINANCE CHIEFS REPORT TO PEOPLE'S CONGRESS

HK100315 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 9 May 86

[Excerpts] The fourth session of the sixth provincial people's congress held its second full gathering on 9 May. Li Ping, chairman of the provincial Planning Commission, delivered a report on the execution of the national economic and social development plan for 1985 and the draft of the 1986 plan. (Wang Guoxiang), deputy director of the provincial finance department, reported on the final accounts for 1985 and the draft budget for 1986.

Responsible comrades including Li Ziqi, Li Dengying, and Wang Bingxiang attended the gathering. Also present were Wang Shitai, member of the Central Advisory Commission; and Yang Zhilin and Li Keru, members of the national CPPCC.

(Wang Guoxiang) said: The province's total financial revenue in 1985 was 2,789,450,000 yuan. Total expenditure was 2,419,490,000 yuan. The province had a net surplus of 139.88 million yuan, an increase over the previous year's surplus.

Li Ping said in his report: The province must strive to fulfill nine major plan targets this year. This is the initial year of the Seventh 5-Year Plan. Doing a good job in arranging this year's plan is of great importance for invigorating Gansu's economy. He said: The major targets for this year are as follows:

1. The draft plan calls for an increase of 8 percent in industrial and agricultural output value this year, and for efforts to achieve a 10 percent increase.
2. On the basis of grasping grain production and ensuring steady growth in its output, readjust the rural production structure in a measured way.
3. Get a good grasp of production and construction in energy, communications, and raw materials and their processing industries. We should also develop the food, clothing, and consumer durables industries and strive to improve product quality. We should increase output of best-selling products.

4. Strictly control investment in fixed assets and seriously readjust the investment structure.
5. Further invigorate circulations, control the rise in the price index, and improve material supplies.
6. Increase exports and earn more foreign exchange. We should do a good job in managing and using foreign exchange.
7. Get a good grasp of supporting poor areas and speed up the pace of transforming their appearance.
8. Speed up the progress of science and technology and the work of exploiting brain-power, and vigorously develop various social undertakings.
9. Reform the planning structure and promote the establishment of lateral economic ties.

Li Ping said: The province's current economic situation is very good, but there are also many difficulties and problems. It will be rather difficult to carry out the plans. We must persevere in reform, clear the way to forge ahead, do our work in a thoroughly sound way, and take positive and effective measures to fulfill and overfulfill the targets for this year.

(Wang Guoxiang) said in his report: We must work hard to increase revenue and economize expenditure and strive to fulfill the revenue and expenditure plans for 1986. The financial revenue task allocated by the state to our province this year is 1,771,310,000 yuan. After making a 14.92 million yuan allowance for reduced or waived agricultural tax on 70 million jin of grain, the province's planned revenue is 1,756,390,000 yuan. After allowing for various price and other subsidies totalling 98.88 million yuan, the province's budgeted revenue is 1,855,270,000 yuan, an increase of 7.23 percent over last year.

(Wang Guoxiang) said: The guiding idea on fiscal work in Gansu this year is to promote production, improve economic results, get a good grasp of revenue, control expenditures, and ensure the key points while taking care of the rest.

He said: Gansu's production continued to rise in the first quarter of this year, and revenue rose by 23 percent compared with the same period last year, while expenditures rose by 20 percent. This has laid a good foundation for accomplishing this year's budget.

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CSO: 4006/1064

## ECONOMIC MANAGEMENT

### VICE PREMIER TIAN JIYUN ON PRICE REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 3, 23 Mar 86 pp 4-6

[Text] Vice Premier Tian Jiyun said: Last year price reform took a major step forward. This year we must consolidate, digest, complement and perfect whatever measures have already been taken, to keep commodity prices basically stable.

Price reform is the key to success or failure in the reform of the entire economic structure. Smooth progress in reform of the economic system depends to a very large degree on the price reform. Recently, a reporter of this publication interviewed Vice Premier Tian Jiyun on the circumstances of last year's price reform and on the policy and task of this year's price reform.

[Question] Will you, Vice Premier Tian, first of all be kind enough to state your basic views on last year's price reform.

[Answer] Last year's price reform can be roughly summarized in three sentences. First sentence: It was a year of great progress. Last year's price reform was, in retrospect, a very large step forward, and it was accomplished comparatively smoothly. Generally speaking, the price reform was on the right track; it went on in a normal way, and its results were good.

Second sentence: It was also a year of plentiful problems. Of course, there were many different reasons for such problems to arise. In a reform it is impossible to entirely avoid the emergence of all kinds of problems. Price control departments and other relevant departments have done much work to solve these problems. Some problems have already been solved, while others are in the process of being gradually resolved.

Third sentence: It was also a year of intensive struggle. To ensure smooth progress of the reform, and to gain the anticipated results, the party committees and people's governments at all levels have been intensively at work. Comrades of the price control departments have closely cooperated with comrades in other relevant departments, have worked cautiously and attentively, earnestly and assiduously. All quarters have made tremendous efforts and have achieved very great contributions.

[Question] What reforms were made last year with regard to prices?

[Answer] Last year, we took important steps forward in the price reform. First, we regulated and straightened out the procurement and sales prices for grain in the countryside. This was a problem that had been building up over many years; it was resolved last year. At the same time, the system of procurement of grain, cotton, edible oils and other important agricultural and sideline products was reformed and changed from a system of centralized and assigned procurements to a system of purchases by contract. This was of major significance in the promotion of the commodity economy in the rural areas. Second, we readjusted the procurement and sales policy for live hogs, and everywhere freed prices for pork, vegetables and other fresh and live nonstaple foods. It was in this most sensitive area, so closely linked with the livelihood of the masses and posing the greatest difficulties to the reform, that a very major step forward was accomplished. Many countries regard this area as one where it is most difficult to effect reforms; we have passed this stage comparatively smoothly. Third, we have adjusted railway freight rates for shorter distances. This item of reform has also had good results; it gave highways and waterways the chance to become distribution lines on par with the railway. Moreover, we instituted a "twin tier system" in the prices for the means of production and opened up prices for small commodities; there was further progress in all these areas. In short, last year's price reform was a great step forward in the direction of regulating and straightening out our pricing system. These measures had a positive effect on economic developments, and results will become even more evident as time goes on.

[Question] Why were price increases last year of such magnitude?

[Answer] Last year, we had indeed the problem of excessive increases in the commodity price indices. Nationwide it rose to as high as 9 percent, but the increases were, of course, unequal in different areas, but particularly large on the big cities. The following are roughly some of the reasons for the magnitude of commodity price increases last year: First, the structural adjustment of prices. This was an adjustment, carried out on our own initiative, to regulate and straighten out our system of prices. Second, since the fourth quarter of 1984, the scale of capital constructions had been excessively large, the speed of industrial development was excessively high, there was a steep increase in consumption capital, too much currency was put into circulation, and demand for many goods exceeded supply. All these factors caused commodity prices to go up. Third, most prices for agricultural and sideline products were freed, and the prices for unplanned industrial means of production rose, spurring on price increases for a part of the consumer goods. Fourth, deficiencies in specific areas of work. Most conspicuous is the vegetable problem. After freeing prices for vegetables, there was no response in many large cities by a corresponding increase in work performance. Planned vegetable planting was not properly carried out, and distribution channels were not opened up. This resulted in large increases in the prices of staple vegetables. Fifth, several industrial and commercial enterprises and individually operated businesses and factories violated the state's policy on



commodity prices, raised their prices indiscriminately and charged exorbitant prices. Although we took this problem firmly in hand, supervision and investigation are not yet fully effective.

[Question] Although commodity prices have risen, living standards have been rising too; is that not the actual situation?

[Answer] This is a fact; this is a very objective way of looking at the problem. Although the magnitude of commodity price increases in the course of our price reform was somewhat larger than in the past, the people's income rose at the same time because the price adjustments promoted economic development. In the overall view, the magnitude of increases in the people's income exceeds the magnitude of commodity price increases. Statistics show that during the period of the Sixth 5-Year Plan the index of commodity prices rose 18.7 percent, while the average income of employees rose 68 percent, and the net income of peasants rose 109 percent. Of course, in the specific cases of every household's and every individual's income, conditions differ and there is no general balance.

[Question] In the face of the extremely large increases in last year's commodity prices, what measures is the state taking to solve this problem?

[Answer] The CPC Central Committee and the State Council give their utmost attention to this problem. and a series of measures for the resolution of the problem have been or are in the process of being taken.

Last year, we have in macroeconomic respects strengthened control over the scope of capital construction and consumption capital. These are important measures to solve the destabilizing factors that have appeared in the national economy, and with respect to controlling the upward trend in commodity prices they are radical measures, much as "removing the firewood from beneath the cauldron." To solve the problem of excessively high prices for vegetables in large and medium sized cities, we are demanding that certain areas in the suburbs be preserved for the growing of vegetables, and that the state-run commercial enterprises must control a large sector of the sources of staple vegetables. They must procure them and market them and thereby readjust, level out and bring down the prices. If necessary, a ceiling price may be imposed on certain important kinds of vegetables. As to the floating prices for important unplanned industrial means of production, ceiling prices have been prescribed. We have at the same time strengthened the investigation, control and supervision of commodity prices. The implementation of all these measures has already shown good results, and they are bound to bring more obvious results in future.

[Question] What are this year's policies and tasks in our work in connection with commodity prices?

[Answer] This year the reform of the economic system will mainly consist of "consolidating, digesting, complementing and perfecting" the measures that have already been taken in the reform. We have to preserve the favorable points, eliminate shortcomings, and solve conspicuous problems. We must at the same time make preparations for the important steps in the reform that we

shall be taking next year and the year thereafter. This is the policy for this year's reform of the economic system, as it is also the policy for the price reform. This year's task for commodity price work is: First, resolutely preserve the fundamental stability of commodity prices, and second, make effective preparations for next year's price reform. Price reform must be carried out step by step in a planned way. A comparatively large step forward in the price reform was taken last year. With due consideration for the financial capacity of the state, the capability of enterprises to digest and the capability of the masses to endure, we shall try to keep commodity prices basically stable this year, and will not enlarge on further reform measures. Even in the case of irrational prices for certain commodities, we should also only effect small adjustments, sometimes upward and sometimes downward. These adjustments will also mainly be for the purpose of consolidating, digesting, complementing and perfecting whatever reform measures have already been carried out. Items that should not be increased in price will certainly not be increased in price. It shall certainly not happen that in areas, in which we have this year not carried out large reform measures, a lot of small disturbances should take place, as a result of which there will be no solution of any problem, but on the other hand still the creation of a bad image. This would only create difficulties for next year's reform. We must now in good time bring up this problem so that everybody will pay attention to it. Governments at all levels and relevant departments must regard this matter of keeping commodity prices basically stable as an important task and conscientiously accomplish it.

[Question] What measures will be taken to maintain commodity prices basically stable during this year?

[Answer] We have to realize that maintaining commodity prices basically stable during this year is an arduous task, which requires the application of a variety of measures. It is particularly necessary to concentrate on the key points. First, in concentrating on key measures, it is important to strengthen and perfect the macroeconomic control, to take resolute measures to control the scope of investments in capital construction and to control the indiscriminate growth of consumption capital. At the same time it is necessary to produce energetically articles that suit the markets and sell easily and will, therefore, satisfy the needs of the market. Second, we must concentrate on key localities, especially on the big and medium-sized cities, especially the three directly administered municipalities and the provincial capitals. Third, we must concentrate on key articles. I agree that the prices of vegetables and nonstaple foods be considered key articles in the stabilization of commodity prices. One vegetable, one meat and one egg: effectively concentrating on these three nonstaple foods and stabilizing their prices will satisfy the masses. Vegetables are an important item among important items. We must make every effort to keep the prices of vegetables basically stable. Where vegetable prices rose excessively last year, we must devise means to bring them down again. Freeing vegetable prices will stimulate the enthusiasm of the peasants to grow vegetables, and larger quantities of vegetables will be brought to the markets. With last year's experiences and lessons to go by, we shall improve our work performance, and we shall, therefore, also be able to realize this demand. It is not permissible that vegetable prices in a locality remain high for a long time;

it would reflect that quality of work in that locality. Eggs, when in season, should be briskly bought up and stored by the state-run enterprises. This would, on the one hand, protect the interests of the producers and would, on the other hand, also protect the interests of the consumers. The price control departments must cooperate with the commercial departments to make a success of this work and to even out seasonal price fluctuations.

The price control departments must strictly hold the line against unreasonable demands for price increases, resolutely put a stop to such increases and under no circumstances be overlenient. All price adjustments must be measured against the situation as a whole. If a price adjustment appears reasonable from a partial view, but would pose a problem from the overall view, the part must by all means be subordinated to the whole, and the small part must be subordinated to the larger part; the large principle must prevail over the small principle.

We must strengthen the work of supervising and checking commodity prices. Whenever prices for certain commodities are freed, we must not forget about them and show no further concern for them. All prices must be subjected to necessary guidance, coordination, supervision and management. This is a type of guidance measure, but also a measure of complementing and perfecting. We must resolutely put a stop to methods of indiscriminate price increases and must severely punish violators of the state's commodity price policy. We must exercise the necessary guidance with regard to prices in urban markets and strengthen control over individual traders. The state represents the whole people, not only a certain section; we must protect the interests of the whole people and must live up to our responsibility toward the producers, businessmen and consumers. Only when the whole people can live and work in peace and contentment will long-term stability and unity be assured.

[Question] Would you please prognosticate the future prospects of China's price reform.

[Answer] Since the 3d Plenum of the 11th CPC Central Committee, we have been engaged in a systematic adjustment and reform of prices. Viewed comprehensively, there are two things that must be made quite clear: First, it is imperative to reform China's current price system, as it would otherwise be impossible to regulate and straighten out the economic relations in all sectors, it would become impossible to achieve the long-term healthy development of the entire national economy, and the many contradictions in economic life would not only become impossible to overcome, but would grow even much more acute. In the long-term view, this would be detrimental to the economic development and to the improvement of the people's livelihood. Second, although there still remain different problems in the actual work of the reforms that we have carried out in all these respects during the last few years, we may say in general that successes have basically been achieved. The problems that emerge in the price reform can only be resolved by further perfection of the reform; under no circumstances must we reverse ourselves. These two points are our fundamental realizations with regard to commodity prices and price reform. Only by resolutely upholding these convictions can we further affirm our confidence in the price reform. This is highly important. Even if there are still great difficulties ahead in the price



reform, we have already made an excellent start. In the course of actual practice, we have all gained a greater identity of views on the price reform and have gained the support of the masses. At the same time, by strengthening and perfecting the macroeconomic control, we are gradually eliminating the destabilizing factors which had emerged during the first stage of economic activities. All this provides us with the favorable conditions for the further pursuit of the price reform. I believe that if we will only unceasingly sum up experiences and lessons, painstakingly organize and diligently exert ourselves, it will indeed be possible to accomplish the objective of this year, namely to keep commodity prices basically stable. We will then also provide the price reform of the future with a better preparation than the preparation for the reform in previous years. The reform will then be better planned and achieve greater successes. We must have full confidence in these prospects.

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JINGJI GUANLI DISCUSSES REFORM OF COMPANIES

HK290520 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 86 pp 4-7

[Article by Liu Jipeng [0491 4764 7720] and Liu Yan [0491 4282]: "A Preliminary Discussion on Several Questions Encountered in the Course of Company Reforms"--edited by Xu Xiaojie [1776 1420 3773]]

[Text] Increasing the vitality of enterprises is a key link in the reform of the urban economic structure. At present the reform of the industrial management organizational system which revolves around this link is mainly centered on the question of administrative companies. It should be pointed out that administrative companies have played a certain role at the administrative organ level in governmental management of enterprises. However, as a form of economic organization, they are undesirable. A company is a form of economic organization in a commodity economy where there is a high degree of socialized large-scale production. If we link it and "administrative" together, we get "administrative company" which is theoretically illogical and which produces obstacles to economic development in practice. The lack of separation between government and enterprise functions in administrative companies, their severing of the economic relationships between enterprises, and their overcontrol of the enterprises under them has become one of the major obstacles to enlivening the enterprises. Thus, it is necessary to carry out thorough reforms in this respect. However, over the last year, the work of reforming administrative companies has met several difficulties which have restricted the deepening of reforms. This article will attempt to explore some of these problems with the aim of seeking out the advantages of carrying out the reforms.

1. The Question of "Two Levels of Legal Entity" in the Company Reforms

At present, as our nation does not yet have appropriate company laws, there has been a lack of research on the concept, characteristics, legal status, and other such questions in regard to companies under the conditions of a planned commodity economy. Thus, understanding is not uniform. During the company reforms, the general method was that administrative companies were turned into enterprises. However, the proposal did not clearly set down whether it was the management organ of the administrative company which was to be turned into an enterprise or whether the management

organ was to turn all its subordinate companies into a new economic entity. Seen from the reform plans of several companies, only the company itself could handle licenses, and it became the legal entity of the enterprises. In fact, as the companies themselves do not have the conditions to engage in production and do not have the power to control the state planned supply of raw and semi-finished materials, many of them provide services to their subordinate factories in the circulation area both before and after production. In this way, old administrative industrial companies have changed into industrial product trading companies similar to enterprises. However, because the reform measures are not coordinated, many of the old functions such as the handing down of operational plans to subordinate factories, the appointment of factory directors, the regulation of the relations between the party and the masses, the arrangement of technical transformation projects, the examination and approval of income distribution plans, and so on must all be taken on by this new company. This gives rise to a very controversial question in the company reforms--the question of "two levels of legal entity." The basic essence of the "two levels of legal entity" is that in one company legal entities exist at two levels. The company itself constitutes the high-level company legal entity, which leads the various factory legal entities at a low level. For example, during the reforms operational service companies, joint companies, semi-intensive and loose production operations, joint operation companies, and so on have appeared. In general, they all retain the form of "two levels of legal entity."

We believe that the idea of "two levels of legal entity" is erroneous.

First, it is untenable on the theoretical level. Legal entities are like citizens in that they have independent characters in terms of the law and are fixed social organizations which are the subjects in enjoying civil rights and shouldering civil obligations. Legal entities have the right to independently deploy assets and can independently form organizations and arrange the sites of activities. They also have the capacity to independently bring suits and respond to suits. An enterprise's legal entity should maintain economic and legal independence. The legal entity in a collectively-owned enterprise bears civil responsibility for the assets of that enterprise while the legal entity in an enterprise owned by the whole people bears civil responsibility for the assets operated by that enterprise. Legal entities are equal. There is no relationship of upper or lower, or any differentiation between large or small, high or low.

In our nation, the significance of establishing a legal entity system lies in that it will enable the enterprises to really become socialist commodity producers and operators which are masters of their own operations, solely responsible for their own profits and losses, and able to develop and transform themselves, so that they can independently take on economic responsibility. When their operations are not good, resulting in losses or even bankruptcy, the responsibility cannot be taken on by a higher level responsible department or other legal entity. However, the idea of "two levels of legal entity" provides differentiation, in terms of enterprises' legal entities, between large and small, high and low.

Thus, independent assets of the enterprises' legal entities cannot be established. When the "small" legal entity incurs losses or goes bankrupt, it seems as if the "large" legal entity should take on the economic responsibility. This is clearly contrary to the aims of setting up the legal entity system in our nation.

What is worth noting is that some comrades who persist in advocating the "two levels of legal entity," in order to prove the rationality of their stand, cite the foreign examples of the relationships between parent companies and minor companies and between general companies and branch companies. This is an erroneous understanding. In foreign countries, in the relationship between a parent company and a minor company, the parent company exercises effective control over the important business activities and personnel arrangements of the minor company by controlling the shares of the minor company (for example by controlling 51 percent or above). However, the law stipulates that the minor company is not a component part of the parent company, much less a branch organ. Rather, it is an independent enterprise. Its independence is manifested in: The minor company has its own company name and regulations; it has independent assets, sufficient funds, and a balance sheet; it can independently call shareholders meetings and directors meetings and can participate in all sorts of business activities under its own name. It can be seen that between the parent company and the minor company there is no relationship of "two levels of legal entity." The reason the parent company can control the minor company's business activities is that it controls the minor company's shares. In our nation, a funds market has not yet been formed and stock ownership is still being explored. There is no controlling share relationship between companies and their subordinate factories, and some only have the administrative leadership relationship between the company and factory which was formed under the old system.

Likewise, between a general company and a branch company there are not "two levels of legal entity." The branch company is a branch organ of the general company and does not have any independence or any individual character legally or economically. This is concretely manifested in the fact that the branch company has no independent name, regulations, or board of directors, that all its shares are held by the general company, that it has no independent balance sheet, and that its business operations are all decided on by the general company. The branch company engages in business only under the name of the general company and only in accordance with the general company's mandate, and the general company will use its assets to meet the branch company's liabilities. Thus, the branch company is not legally independent, and in terms of property, the branch company and the general company are mixed together.

Second, in practice this does not benefit the deepening of the reforms. If we allow differences between large and small legal entities, not only will the "large" legal entity bear responsibility for the "small" legal entity, but it will also have the power to exercise direct administrative interference in the operational activities of the "small" legal entity, and will be able to take on various of its administrative functions. The

situation of there being no separation between administration and enterprise functions will continue to exist, but it will change from the "administration replacing the enterprise" to "the enterprise replacing administration." Also, after the company management organs change into new economic entities, it will produce apprehensiveness among the subordinate factories and they will worry that the company will only concern itself with its own interests and that in the question of material distribution it will differentiate between those near and those far. This phenomena has already appeared in some reformed companies.

If we say that reforming administrative companies is for the purpose of liberating enterprises from the administrative bonds produced by there being no separation between administrative and enterprise functions, then the proposal and methods of having "two levels of legal entity" will not basically resolve this problem. Rather, it will confuse the legal relationship between the legal entity, the company, and the factories. Thus, if the company reforms are to be deepened, it is necessary to abandon the concept of "two levels of legal entity."

## 2. Industrial Companies and Legal Status

After negating "two levels of legal entity," we need to further study the question of companies and their legal status. That is, who actually is the holder of the rights in regard to our nation's industrial companies? Who will assume the enterprises' legal status? During the reforms, some people have proposed changing the jurisdictional relationship of upper and lower into a partner relationship. This requires an answer as to whether the legal entity will actually be the administrative management organ which administers subordinate enterprises, and the company itself after it has been turned into an enterprise, or whether it will be a production operations composite formed from the company itself after it had been turned into an enterprise and its subordinate factories. This is a question which has caused constant debate in the Soviet Union and East European states for many years.

We believe that giving legal entity status to the administrative management organ is unjustifiable. Is it possible then to give legal entity status to the company itself after it has been turned into an enterprise? This is a fairly complex question. At present, a major indicator that our nation's enterprises have a legal entity position is that in the register of the state Administration of Industry and Commerce they have received a business license. In this, the registration of funds is an important facet of the registration procedure. This reflects the economic strength of an enterprise and the economic responsibility it should bear if it goes bankrupt. An examination of 44 industrial and commercial records in Chongqing and Beijing showed that the registered funds of companies which had been turned into enterprises were of three types: 1) Those which only included the property of the company itself--93 percent; 2) those which not only included the property of the company itself, but also included the fixed assets and total floating funds of their subordinate factories--5 percent; 3) those where the company itself has no property



and there was only the total assets of subordinate factories--2 percent. From the first type, it seems that the legal person status of the company is naturally taken by the company itself after it is turned into an enterprise, and the company and its subordinate factories have a relationship of economic partners. This is legally feasible and seems to be economically rational. However, in such a case, what differences are there economically, legally, and in the relationship with the company itself between the company's external enterprises and its internal factories? Will the company only have administrative functions for its subordinate factories? We believe that at this stage, the internal nature of the companies has undergone changes and they are no longer companies in the original sense. Also, company entities which have been turned into enterprises do not, in the majority of cases, have productive capacity. They are only trading companies engaged in the circulation sphere. This should not be the direction of our nation's industrial enterprise reforms. In addition, the aim of reforming the administrative companies is not only, as some comrades believe, to have the people in the company support themselves. A more important aim is to have our nation's industrial trade management move towards greater rationality. Some comrades advocate giving legal entity status to a production operation formed by the company itself after it has been turned into an enterprise and its subordinate factories. We endorse this understanding. However, it must be pointed out that the legal entity status of the subordinate factories must be abolished, and they must become production operation units within the company. If not, then it will be like the second and third types mentioned above as found during the examination. The company itself and all its subordinate factories will all register as independent legal entities, which will inevitably result in duplicate registration of assets, meaning that the amount of enterprises' assets registered will far exceed the actual amount existing.

In brief, our nation's industrial enterprises can be summed up as: Enterprise legal entities which engage in industrial production operations, which have operational autonomy in the handling of assets, and which are solely responsible for their own profits and losses. The companies should be complete, with unified accounting, unified tax payment, and unified credit. The enterprises' subordinate production operations units will not have independent legal entity status. In order to accord with a planned commodity economy system, internally the company should adopt an organizational structure with a high degree of separation of power and have small accounting units responsible for their own profits and losses, so as to fully motivate the enthusiasm of all of the production operations units.

### 3. Enterprise Alliances and Their Legal Status

Enterprise alliances are industrial organizational forms which have developed in recent years and which have great prospects. Their formation is different from the method under the old system whereby enterprises were "bound" together. They are economic alliance organizations formed under the conditions of continual development of socialized large-scale

production and the commodity economy, through breaking through the divisions between regions, departments, and ownership systems, on the basis of enterprises' voluntary participation, mutual interests, equality, and consultation, and in accordance with the principle of "three no-change" (enterprises economic nature, the administrative jurisdiction relationship, and the channels for handing up taxes on profits), in order to strive for better enterprise and social benefits.

There are many and varied forms of alliance. There can be specialized coordination in production, operational supply and marketing alliances, or linking in terms of technology and information. There might be an enterprise alliance between enterprises which produce the same sort of product but which are situated in different areas, or there may be an alliance between enterprises which produce different types of products but which in their production technology have a close relationship. It may also be possible for those factories which have very competitive products on international or domestic markets to act as the "center" and to form alliances with various "satellite" factories in order to spur them on. The binding link between enterprises in an alliance can be a fairly stable long-term contract, agreement, or set of regulations, or it can be a management committee formed from representatives of the members of the alliance. It can also be a central factory. The various forms of horizontal economic combination put forward over the last few years, such as economic groups, economic blocs, and economic series are all forms of economic alliance.

Within the alliance, there does not exist "two levels of legal entity" because the combination itself is not an enterprise legal entity. If a combination needs to set up a management organ, it will only be a management organization to carry out coordination and provide service in the economic activities of the subordinate enterprises. It will have no independent property and will not be able to engage in operational activities, while the coordination and service work it does will have a democratic authoritative nature. If the enterprise members of an alliance are willing to have unified supply and marketing, then an industrial supply and marketing company can be set up. This company will be a legal entity and will not include or be included in the member organizations of the alliance. Between them there will be a relationship of economic partners. This type of relationship will be maintained by fairly long-term stable and preferential economic contracts, agreements, or sets of regulations, and it will not be a one-shot deal. Alliance contracts, agreements, and sets of regulations should be notarized so as to provide legal safeguards.

#### The Relationship Between Companies and Enterprise Alliances

Both companies and enterprise alliances are products of the commodity economy and socialized large-scale production. Correctly understanding and differentiating the nature and characteristics of the two has great importance in the company reforms.

An enterprise alliance is a primary form of alliance. None of the enterprises participating in the alliance loses its legal entity status. As soon as the alliance develops in depth, a merger of property and funds begins to occur between the allied enterprises. Finally, when this develops into a large economic entity, there occurs enterprise mergers, which result in the high-level form of alliance--the company. There are two types of this sort of merger: The first is assimilated merger. That is, when two or more enterprises merge, the legal entity status of a "central factory" is continued, while the legal entity status of the "satellite factories" is abolished. They become production operation units under the "central factory." The other type is merger through new establishment. That is, when two or more enterprises merge, the legal entity status of all the original enterprises is abolished and they newly establish a company with legal entity status. This newly-established company is an economic and legal entity comprising the entirety of the old enterprises. The contents and depth of this type of alliance causes the enterprises to undergo a "qualitative change." That is, it produces a trust company. Within an alliance, the entry or departure of an enterprise is, with the precondition of not violating agreements, completely voluntary. However, in a company, because the entire property of the company has been melded into a whole, the individual operational units and individuals can only transfer share rights in various senses. They cannot withdraw. None of the production operation units within the company has legal entity status.

At present the conditions are ripe for our nation to develop enterprise alliances. We should put great efforts into promoting the transformation of administrative companies into enterprise alliances. Recently in the company reforms, some enterprise alliances have been formed. However, they hang up a company shingle, resulting in enterprise alliances and companies becoming confused. This situation does not benefit the reforms and must be corrected. Of course, the experiences of industrially advanced nations have proven that a company is the most advanced economic organizational form and the most beneficial to improving enterprise and social benefits. The turning of enterprises into companies is a trend as the commodity economy and socialized large-scale production develop. We should recognize this trend and create conditions for the speedy development of companies in our nation.

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UNIFYING OWNERSHIP RIGHT, USE OF FOREIGN EXCHANGE VIEWED

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[Article by Zhang Shouyong [1728 0649 0516]: "The Right of Ownership and That of Use of Retained Foreign Exchange Should Be Unified" -- edited by Lin Daojun [2561 6670 0689]]

[Text] Beginning from 1 January 1985, the state has allowed adjustment of the ratio of retention of foreign exchange in foreign trade. In accordance with the principle of the linking of the creation of foreign exchange and the use of foreign exchange, and of whoever exports earns the foreign exchange and whoever creates the exchange uses the exchange, the various regions have stepped up organizing this adjustment, greatly aroused the enthusiasm of the various foreign trade and production enterprises to advance foreign trade, and promoted the technological transformation of the foreign trade and production enterprises. At the same time, this has played an active role in arranging and ensuring the sources of goods for export and developing and consolidating the production bases of the goods sources.

At present, the prices on the international markets of many of our export commodities have fallen while the state purchase prices in the country have continuously risen. The production cost of exports has also become increasingly higher. It has been very difficult to organize the supply sources of the export commodities. In particular, it is difficult to make state purchases of agricultural sideline products for export purposes. This holds for special produce and processed products. Hence, it is necessary to offer great help to the departments which supply the goods for export and help them to solve certain actual difficulties in their work of supplying export commodities. This should apply to their use of foreign exchange as well. At present, certain goods supply departments have created much foreign exchange, but have used very little of it. In order to adjust the economic interests of the units creating foreign exchange and units using foreign exchange and to arouse the enthusiasm of the foreign exchange creating units, in regard to the retained foreign exchange, it is suggested that the method of compensatory regulation and use of foreign exchange be adopted; that is, units not creating any foreign exchange, when using retained foreign exchange, or using in excess of the enterprise's retained foreign exchange, in addition to paying the state's prescribed foreign

exchange rate, should pay a stated management fee or procedural fee so as to compensate the units creating foreign exchange for their losses. The exchange rate may be raised by 20 to 25 percent. Currently in the actual work of organizing the sources of export commodities, whether or not the enterprise can obtain retained foreign exchange and how much retained foreign exchange, has in effect become an important condition in the negotiations on the purchasing prices between the enterprise doing the foreign trading and the enterprise supplying the export commodities. Whether or not there is any retained foreign exchange is closely related to the conditions of the supply of the commodities and, to a certain degree, plays a key role in this regard. Insofar as the enterprise is concerned, the current problem is that the right of ownership and the right of use of retained foreign exchange are separated from each other and that the regulation of the amount of exchange and the examination and settlement work of the plan of use of foreign exchange are under the control of different government organs. Hence, certain goods-supplying enterprises have entertained doubts as to whether or not they can obtain any retained foreign exchange and the right of use of it. In certain cases, they would rather give up the right of ownership of retained foreign exchange in exchange for certain "real benefits" in regard to the purchase prices. On the part of the foreign trade enterprises, they are also willing to take over the portion of retained foreign exchange normally belonging to the production enterprises for the sake of facilitating the arrangements for and making definite commitments on other sources of export commodities and supporting the production of export commodities. Nevertheless, what the commodities-supplying enterprises have ceded is the right of ownership of the retained foreign exchange and not the right of use of it. Thus, the existing method of foreign exchange control which separates the right of ownership from the right of use cannot allow the retained foreign exchange to fully play its role. In my opinion, the right of ownership and the right of use of retained foreign exchange should be unified. That is to say, the 12.5 percent belonging to the local governments should be subjected to the unified operation, examination, and approval of the local departments in charge, whereas the 12.5 percent belonging to the enterprises in the export trade should be subjected to the unified settlement of the enterprises engaged in foreign trading and be directly given to the enterprises supplying the commodities for the latter's autonomous use. As for the importation of the needed raw materials, technologies, equipment, and so forth entrusted to the foreign trade departments according to the requirements for the production and development of export commodities, the required foreign exchange may also be turned over to the foreign trade departments for unified arrangements in accordance with the principle of compensatory regulation. In short, it is essential that the autonomous power of use of retained foreign exchange be enlarged and the method of use of retained foreign exchange be further improved. State departments in charge should exercise their control by means of policies, statutes, taxation, issuance of permits, and so forth, but avoid over control or control to a strangling degree. Only by so doing can we ensure that this portion of the retained foreign exchange is truly to ensure supply sources for export commodities to develop export products, and to truly bring about implementation of the principle of combining import and export and using import to foster export.

JINGJI GUANLI ON ECONOMIC RESULTS ANALYSIS

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[Article by Zhou Chuandian (0719 0278 0368), edited by Liu Qichang (0491 0366 2490): "On 'Economic Results Analysis'"]

[Text] 1. The Origin and Development of Economic Results Analysis

Economic results analysis is a continuation and development in the new period of "economic activities analysis" put forward by the Ministry of Metallurgical Industry. Looking at history, we see that the Anshan Iron and Steel Works was the first to develop economic activities analysis in the 1950's; this spurred some other metallurgical enterprises to obtain initial results. At the beginning of the 1960's, the Ministry of Metallurgical Industry decided to propagate the experiences of the Anshan Iron and Steel Works and other units and made "economic activities analysis" an extremely important method in leading economic work. This was developed in all metallurgical enterprises. In July 1963, leading comrades of the Ministry of Metallurgical Industry reported at a Ministry of Metallurgical Industry economic work conference that the economic activities analysis they had put forward was an important leadership method and an important work method, and that if we were to raise it to the high plane of Marxist epistemology and methodology, leaders at all levels from the ministry to the enterprise would have to study how to carry out economic activities analysis. They would have to use this as a weapon to promote the improvement of the economic results of the metallurgical industry. After Deputy Premier Bo Yibo read this conference report, he immediately wrote instructions affirming this experience. Later, the metallurgical system developed economic activities analysis more widely and more deeply. Metallurgical enterprises throughout the nation, from corporations to workshops, teams, and groups all engaged in analysis, promoting the development of the iron and steel industry at that time. In 1965 and 1966, the technological and economic targets advanced by leaps and bounds, creating the best level in history, and the economic results also saw great improvement. During the 10 years of disorder, the metallurgical industry suffered serious damage. The advocates and implementers of the "leftist" line took economic activities analysis as the "revisionist line in enterprise management" and criticized it fiercely. In the last few years, under the guidance of the correct line of the 3d Plenary Session of the 11th CPC Central Committee,

we have swept away the "leftist" ideological influence and accorded with the demand to improve economic results. The fine tradition of economic activities analysis has also been gradually revived and seen new development. Because of the new path proposed by the party Central Committee and the State Council whereby economic work should have as its core the improvement of economic results and also has economic activities analysis as a sharp weapon of departments and enterprises for carrying out self-dissection, tapping potential, and improving economic results, everybody refers to it as "economic results analysis." Since the early 1980's, the iron and steel system has convened an economic results analysis meeting for medium-size iron and steel enterprises and a special steel-making enterprise economic results analysis meeting in 1983 and 1984, respectively. From the end of October to the beginning of November 1985, the Ministry of Metallurgical Industry arranged an economic results analysis meeting for large-scale iron and steel enterprises. Economic results analysis has continually developed widely and deeply, and many new trails have been blazed.

## 2. New Characteristics of Economic Results Analysis

1. Firmly centering on the core of improving economic results. In the past, when engaging in economic activities analysis, the taking of class struggle as the link was stressed. At all times, in all cases, and in all places, it was necessary to stress the 2-line struggle, and it was difficult to analyze economic activities purely on the basis of economic laws. Thus, its role could not be fully brought into play. Since the 3d Plenary Session of the 11th CPC Central Committee, the whole nation has taken economic construction as the center, and it has been required that all economic work switch to the track of improving economic results. Following the bringing of order out of chaos on the ideological front, economic activities analysis has now gradually accorded with this demand to improve economic results. Thus, it is not only a nominal change. Rather, new contents have been added, both internally and qualitatively, and new demands have been put forward.

2. Tightly combining with economic reform. The aim of economic results analysis is, through carrying out dissection and analysis of various types of economic activities, to bring into play positive factors, overcome backward factors, tap potential in various respects, and improve economic results. This analysis will inevitably touch on ossified economic management models that restrict the development of productive forces. This requires the changing of these models and the putting forward of reform proposals. At the economic results analysis meeting convened by the Ministry of Metallurgical Industry in 1985, the Shoudu Iron and Steel Works provided a speech entitled "The High Speed at Which Reform Spurs Economic Results." It was both a very good economic results analysis and a splendid essay on reform. In this sense, once economic results analysis is linked with reform, it can produce new vitality. On the one hand, it serves reform; on the other, it is a powerful weapon for promoting reform. Seen in terms of economic reform itself, only by using the method of economic results analysis will we be better able to reach the reform goals. In the economic activities analysis in which we engaged in the past, we did not dare touch on the question of the economic structure. Now



that the central authorities are engaging in economic reform, when we are analysing the factors obstructing the improvement of economic results and the development of the economy, we dare to touch on the question of the economic structure and require the putting forward of reform proposals.

3. Using modern management methods. Economic results analysis continues Marxist investigative research methods, stresses first-hand materials, and speaks only on the basis of data. At the same time, adopting modern management methods and electronic computers will ensure that economic results analysis is both qualitative analysis and quantitative analysis, and get close to objective reality. When carrying out analysis, some enterprises use systems engineering theory, the ideas of input and output, and mathematical statistics methods so that the analysis is more able to grasp the key points and be more persuasive. The comrades of the research institute under the Ministry of Metallurgical Industry have also used the "multi-target forward edge [qian yuan 0467 4878] analysis method" and the "multi-target comprehensive evaluation method" to carry out analysis of the production technology levels and comprehensive economic results of eight large-scale iron and steel joint enterprises. After processing large amounts of data, they established a mathematical model and used computers to carry out the calculations. The initial results provided by the two methods were basically identical. Although some target and data factors could not be completely compared, a major trend could be seen, and this can be used as reference in crosswise comparison between the various large iron and steel enterprises. It is also of benefit to enterprises in understanding their own and others' performance, so that they can develop competition through emulating, learning from, catching up with, and helping, and in turn surpassing, others.

In general, economic results analysis is the product of taking the new road of improving economic results in the new period. It is a product of adhering to the economic reforms and of management modernization. Understanding things from the high plane of Marxist epistemology and methodology and carrying out economic results analysis is the process by which to uncover, analyze, and resolve contradictions; the process by which to understand and transform the world; and the process by which to move from the material to the spiritual and the spiritual to the material. The development of objective things is a process of the movement of contradictions. Economic work is like other things and its development is full of contradictions. If we are to correctly analyze the movement of economic activities and promote economic development, we must stress the uncovering, analysis, and resolution of contradictions. Only through economic results analysis will we be able to grasp the key problems in a timely way, seek to resolve them, and continually raise economic work to a new level. That is to say, the formula "practice; analysis; decision-making; further practice" is the pattern on which a fine cycle in economic work can be realized. Thus, economic results analysis is an important leadership and work method which every enterprise leader should master in conscientiously raising his level of leadership work. It is also an important leadership and work method for economic leadership departments in overcoming bureaucratism, shifting from mainly using administrative



methods to mainly using economic methods, and for making economic work increasingly specialized.

Thus, the Ministry of Metallurgical Industry has already made a decision to develop economic results analysis, and required that leaders at all levels further raise their understanding of the great importance of economic results analysis, of moving from unconsciousness to consciousness, and persisting within their own units in developing economic results analysis activities and in using this as a basic leadership method, a basic leadership system, and an important operational management system. Corporations, factories and mines, workshops, sections, and teams must all use this analysis in their development strategies, decisionmaking, and in concrete economic activities. It is possible to carry it out from top to bottom within the whole corporation at fixed periods or carry it out on a smaller scale at fixed times; the analysis can be comprehensive or specialized; it can be an individual or a comparative analysis; it can be vertical or horizontal analysis; and it can be quantitative, product type, qualitative, consumption, or cost analysis, or can be analysis in terms of capital construction, renewal and transformation, or imported projects. In general, we must center on the improvement of economic results, widely and deeply develop economic results analysis, systematize and regularize it, and have it move from shallowness to depth and from a low level to a high level. In this way, we can make economic results analysis a sharp weapon in the hands of the masses of staff and workers and can continually raise the level of enterprises' operations management and continually improve the economic results of enterprises and society.

### 3. How To Do Well in Economic Results Analysis

In putting together everybody's experiences in carrying out economic results analysis and doing well in economic results analysis, we must grasp the following points:

1. The leadership must pay attention to it and personally take a hand in the work. It was no accident that the Shoudu Iron and Steel Works was able to do well in economic results analysis. In July 1985, after the Ministry of Metallurgical Industry convened a preparatory meeting for the large-scale iron and steel joint enterprises' economic results analysis meeting, the enterprise leaders took command, organized a specialized group of eight or nine persons, collected large amounts of materials and data, repeatedly carried out analysis and research, listened to ideas on all sides, changed this and that, and then finally put forward a high-level report on economic results analysis. However, the leading comrades of some enterprises did not take economic results analysis as a method or measure in their own leadership of the enterprise. They did not take a hand in the work and did not provide correct guidance. They only handed it over to the comrades concerned with concrete work for them to handle. Things could not be done well in this way. This is because economic results analysis touches on broad area and has wide influence and, if the work is to be done well, it requires that the leaders personally take a hand in it and arrange for various strengths on all sides to be used

together. After economic results analysis is carried out well, goals can be put forward and measures planned. In this we must also rely on organized implementation by the leaders if we are to achieve the desired effects. Thus, leaders placing stress on and personally taking a hand is the most basic experience in doing well in economic results analysis.

2. There must be ideological leaders and correct attitudes. Economic results analysis is very meticulous and very specific investigative research and scientific analysis work. It is also work with very strong ideological and political implications. It is necessary to have ideological leaders and to link this work closely with ideological and [political] work. It is often in those units in which economic results analysis has become a mere word that ideological leadership is not stressed or else there are the ideas of being unconvinced, of being afraid to uncover contradictions, or of the "external cause theory." These sometimes seriously obstruct the further development of economic results analysis. If we do not overcome these mistaken ideas, we will not truly be able to carry out economic results analysis well. In this respect, the leading comrades in the various enterprises must have the good workstyle of listening to ideas from all sides, must have a modest attitude in studying advanced enterprises, and must have the courage to carry out self-criticism and criticism. Contradictions between things objectively exist, and only if we uncover and resolve these contradictions can our work progress. People should have self-knowledge and enterprises should also have self-knowledge. If an enterprise only sees its own strong points and does not recognize its problems or does not let other people or the masses point out its problems, the enterprises will not be able to be invigorated or be able to progress. In these 2 years, as we have organized the activities of economic results analysis, we have come across some leading comrades of enterprises who are afraid to uncover contradictions and sometimes, after the analysis materials have been produced, the leading comrades of enterprises have come out and said that they hoped that these would not be taken or made public. The comrades engaged in the analysis then feared causing bad relations and so backed down. Comrades of the enterprise itself have been even more scared, and some are blamed for leaking details of the enterprise's problems, while others have been transferred or dropped from their posts. What is the problem? The answer is that some comrades being afraid of uncovering contradictions is actually a result of them shielding shortcomings. What advantage is there in shielding shortcomings? If contradictions are not revealed and not resolved, how can there be any progress? The leading comrades of our organs and enterprises must stress the party's cause and must have a spirit of self-criticism and criticism. They must be brave in facing the problems squarely and must support the economic research workers and lower-level cadres being brave in uncovering contradictions and putting forward ideas, and being responsible to the party and to work. It should be recognized that economic results analysis is the carrying out of criticism and self-criticism in economic work. It is a strength for an enterprise in preventing economic stagnation and in promoting economic development. We must master this sharp weapon, which will allow us continually to progress.

3. We must grasp the major contradictions and key questions. If, in economic results analysis, each and every matter is noted, everything is just touched on lightly, and the tender spots are not grasped, we will not be able to resolve all the problems. All leaders must be brave in grasping key problems and in grasping the major contradictions in various complex situations. For example, at the large-scale iron and steel joint enterprises economic results analysis meeting in 1985, the comrades from Anshan Iron and Steel Works put forward that it was necessary to analyze the results of the technical transformation of the Anshan Iron and Steel Works during the period of the Sixth 5-Year Plan. This is a key question and must be grasped firmly. The Ministry of Metallurgical Industry and the comrades from Anshan Iron and Steel Works must together analyze the experiences and problems of Anshan Iron and Steel Works in improving economic results during the period of the Sixth 5-Year Plan, and study how to do things during the Seventh 5-Year Plan. This is known as facing up to hard problems, and one must have bold vision and the will to handle them. The comrades from the Tianjin Metallurgical Bureau pointed out that a key point in the technical transformation of Tianjin's iron and steel industry was the obtaining of its own supplies of pig iron. This is where the contradiction lay in Tianjin. If one is to produce steel, one must have iron. If this problem was not resolved, in future the difficulties would become greater and greater. After grasping the major contradictions, they discovered that it was an internal problem and that they had to resolve the problems connected with the growth of county-level iron plants. We must help them resolve this problem and relevant leading comrades must personally take hold of this matter. The comrades from the Wuhan Iron and Steel Works pointed out that the direction of their technical transformation is, with the precondition of raising product quality, to achieve the "double 600." The aim is correct, but as soon as the Baoshan Iron and Steel General Plant's continuous hot roller was put into production, the Wuhan Iron and Steel Work's over 1 million tons of steel blanks all went, and it was necessary to return to the 1984 level, and economic results became a problem. It has been learned that the (Bao Gang) [0545 6921], the Taiyuan Iron and Steel Company, the Panzhihua Iron and Steel Company, the Benxi Iron and Steel Company, the Ma'an Shan Iron and Steel Company, and the Shanghai Iron and Steel Company have all paid attention to grasping their own major contradictions and key problems and have put forward the major problems in their own technical transformation. This is very good. At present, seen from the major contradictions and key problems in technical transformation, a common problem is that we must earnestly improve the results of investment in technical transformation. The funds for technical transformation during the Seventh 5-Year Plan are tighter than was the case during the Sixth 5-Year Plan. Thus, there is a feeling now that on the one hand funds are insufficient and on the other hand that the available funds are not being used well. Thus, all enterprises must grasp economic results analysis of the technical transformation carried out during the Sixth 5-Year Plan and from this sum up experiences and lessons, unify understanding, and do well in the technical transformation during the Seventh 5-Year Plan. If not, we will make mistakes that will affect history.

When analyzing their own major contradictions and key problems, the various enterprises must also pay attention to what the major contradictions and key problems are in the overall iron and steel industry. This will be of advantage, under the guidance of industry planning, in coordinating one's own development strategies and operational decisionmaking with that of the whole industry.

4. Economic results analysis must be systematized and regularized. The Ministry of Metallurgical Industry has already decided to develop economic results analysis in an overall way, and demanded that economic results analysis activities be regularly carried out at all levels from the ministry to the various enterprises, workshops, and groups. At the large-scale iron and steel enterprise economic results analysis meeting, the No 1 Shanghai Iron and Steel Factory introduced its experiences in yearly mobilizing the masses to "calculate detailed accounts and tap latent potential." At the beginning of each year, over about 1 month, they mobilize all the groups and teams to calculate detailed accounts of the whole factory's economic results and hand up reports on their calculations. From these, the factory formulates goals and measures for economizing, and very good results have been achieved. In the last few years, the rising prices of primary fuels, transport, and so on have affected the profits by 690 million yuan, an annual average of 125 million yuan. Through carrying out the above-mentioned activities, they have been able to readjust the product mix, develop diverse types of operations, and absorb the majority of the price changes. Profits have thus been maintained at a fairly good level.

The various enterprises must sum up their own situations and study methods by which to systematize and regularize economic results analysis. On the one hand, all factories, mines, and workshops must report at set times on their comprehensive or specialized economic results analysis. On the other hand, the corporations or factories must report at set times to the responsible department the situation of the enterprise's economic results analysis. In this way, economic results analysis will truly become a sharp weapon in the hands of the leaders and staff and workers at all levels, and this will promote the continuous improvement of enterprises' economic results.

5. Firmly grasp the measures, resolve the problems, and use analysis in improving economic results. The uncovering and analysis of contradictions are for the purpose of resolving those contradictions. It is necessary to put great efforts into analyzing the contradictions, but even greater efforts must be put into resolving the problems. Otherwise, it will result in the formalism of analysis for the sake of analysis, with the resultant waste of effort. That is to say, in the formula "practice; analysis; decisionmaking; further practice," practice has prime position and decisive importance in the resolution of problems. Analysis can point the direction of practice and thus has rational significance.

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CSO: 4006/1066



## ECONOMIC MANAGEMENT

### REPORTAGE ON HUNAN PEOPLE'S CONGRESS SESSION

Mao Zhiyong, Others Attend

HK250609 Changsha Hunan Provincial Service in Mandarin 0900 GMT 24 May 86

[Excerpts] The fourth session of the sixth Provincial People's Congress held a full gathering this morning. Responsible persons of departments concerned of the provincial government delivered speeches on wages, prices, and financial work. Mao Zhiyong, Xiong Qingquan, Jiao Linyi, and other responsible comrades were present.

#### Finance Chief Reports on Budget

HK270353 Changsha Hunan Provincial Service in Mandarin 0900 GMT 26 May 86

[Excerpts] (Xu Baoyuan), director of the provincial finance department, delivered a report to the Provincial People's Congress session on the final accounts for 1985 and the budget for 1986.

He said: The province's financial revenue last year was 3,919 million yuan, representing 120.6 percent of the budgeted figure of 3.29 billion yuan. Revenue topped 1984 by 531 million yuan, a rise of 16.6 percent.

However, there were also some problems: 1) Enterprise economic results were not good enough. The plans for lowering production costs and reducing deficits were not fulfilled. 2) The financial management standard of the fiscal and taxation departments is not high. There are still many loopholes in revenue and expenditure management. 3) Some counties and cities were unable to balance their budgets and were in deficit at yearend. We must seriously solve these problems in our future work.

He said: The province is budgeting for a revenue of 4,422 million yuan this year. After making deductions for price subsidy expenditures, this will represent an increase of 320 million yuan over 1985. We must do a good job in the following tasks:

1. Further invigorate the enterprises, promote lateral economic ties, and stimulate increased output and income. We must focus on large and medium enterprises in carrying out technological transformation. Efforts



must be made to cut production costs and to make new progress in reducing deficits and increasing surpluses.

2. Make vigorous efforts to organize revenue and ensure its steady growth. We must further step up tax collection work.

3. Strengthen and improve macroeconomic controls. We must pay attention to controlling and economizing expenditures.

4. Strengthen financial supervision and resolutely correct unhealthy trends.

(Xu Baoyuan) said in conclusion: For various reasons, the province's budget performance in January and February was not good enough. An improvement started in March, and we have now basically got onto a normal track.

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CSO: 4006/1064

DEPUTY MINISTER IN PAKISTAN--Islamabad (PAP). The Deputy Minister of Foreign Affairs, Jan Majewski, was in Pakistan where he was received by the Minister of Foreign Affairs Sahibzada Yacooba Ali Khan, the Minister of Energy and Water Resources, Jacal Sald Miana, and the Minister of Trade, Mohyuddin Baluch. He also spoke with the manager of the Ministry of Production Hasan Zaheer. Majewski held political consultations with the acting Federal secretary for Foreign Affairs Abdul Sattar. An exchange of views regarding Polish-Pakistani relations took place, especially as regards economic relations. They also discussed certain international problems, in particular the issues confronting Asia and Europe. [Text] [Warsaw TRYBUNA LUDU in Polish 18 Mar 86 p 7] /7358

SOVIET, POLISH JOURNALISTS MEET--The Journalist Cluc "Przyjazn" of the Association of Journalists of the PPR [SDPRL] hosted a meeting of Polish journalists with representatives of the Soviet press, devoted to the problems connected with the recently completed 27th CPSU Congress. Vladislav Ivanov, deputy editor-in-chief of SOVIETSKAYA ROSSIYA, shared his reflections on the Congress and Soviet policy. Sergey Dardykin, commentator for IZVESTIYA, spoke on the international significance of the Congress's discussions and resolutions. [Text] [Warsaw ZYCIE WARSZAWY in Polish 19 Mar 86 p 2] /7358

SOVIET, POLISH LAWYERS AGREEMENT--An agreement of cooperation between the Association of Soviet Lawyers and the Association of Polish Lawyers [ZDP] was signed in Moscow. The Minister of Justice of the Russian FSSR, A. Sukharev, acting president of the Association of Soviet Lawyers, signed the document, as did Z. Czeszejko-Sochacki, chairman of ZPP. [Text] [Warsaw TRYBUNA LUDU in Polish 20 Mar 86 p 7] /7358

PZPR UNIVERSITY COMMITTEES MEET--A conference of first secretaries of PZPR university committees from all institutions of higher learning was held in Warsaw on 20 March 1986. Also participating were the secretaries of the PZPR voivodship committees, who supervise party work at universities and scientific institutions. The conference dealt with the tasks assigned to the academic party organizations in implementing the resolutions of the PZPR CC 24th Plenum and those resulting from the 3d Congress of Polish Science. Professor Boguslaw Kedzia, Director of the Education and Science Department, presented the program of activities in this area, emphasizing the need for a broad participation on the part of academic centers in the pre-Congress discussions. Also mentioned during the course of the discussions was the need to publicize, on a broader scale, the achievements of the 24th plenary session of the CC within academia. Professor Tadeusz Porebski, Politburo member and PZPR CC Secretary, chaired and summarized the proceedings. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 5] /7358

ARMY PZPR CONTROL COMMISSION--The PZPR Control Commission of the Polish Army met on 20 March 1986 to discuss previous activities and suggestions for work to be done in advance of the Congress. Deputy Chairman of the Central Party Control Commission, Tadeusz Nowicki, and First Deputy for the Chief of the Main Political Directorate, Polish Army, Rear Admiral Ludwik Dutkowski, took part in the session. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 5] /7358

20 June 1986

POLISH-MONGOLIAN CULTURAL COOPERATION--Ulan Bator (PAP). An agreement was signed on Wednesday [19 March 1986] implementing a Polish-Mongolian international agreement in cultural and scientific cooperation for the years 1986-1990. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 7] /7358

ZSL PROPAGANDA MEETING--Members of the presidium of Voivodship Committees and of directors of ZSL voivodship committee departments held a conference in Warsaw to discuss the party's political-propaganda efforts for 1986 resulting from, among other things, ZSL participation in pre-Congress talks. Wladyslaw Loranc, director of the PZPR CC Ideology Department, discussed the draft program of the 10th PZPR Congress. [Text] [Warsaw ZYCIE WARSZAWY in Polish 21 Mar 86 p 2] /7358

WARSAW POLYTECHNIC PARTY MEETING--A party meeting of several departments of the Warsaw Polytechnic, with the participation of a number of non-party employees, took place on 21 March 1986. The meeting dealt with the preparations to the 10th Party Congress; PRON's National Council General Secretary, Jerzy Jaskiernia, participated in the meeting. [Text] [Warsaw TRYBUNA LUDU in Polish 22-23 Mar 86 p 5] /7358

POLISH-YUGOSLAV CULTURAL COOPERATION--A cultural agreement between Poland and Yugoslavia for the years 1986-1988 was signed in Belgrade on 18 April 1986. The agreement allows for the continuation of cooperation in all facets of cultural life. It also provides the basis for establishing contacts between those institutions not previously partaking in the cooperative program. [Text] [Warsaw TRYBUNA LUDU in Polish 22-23 Mar 86 p 6] /7358

CENSOR OFFICE AKTIV MEETS--Candidate member of the Politburo and PZPR CC secretary Jan Glowczyk met with senior party and staff officials of the Main Office for the Control of Publications and Public Performances. Also participating in the session were directors and first secretaries of primary party organizations of regional publications and performance control offices. Glowczyk discussed the current sociopolitical situation and identified the tasks issuing from it facing the press, radio and television. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

PZPR THEORETICAL ORGAN EVALUATED--PZPR CC Secretary Henryk Debnarski chaired a meeting of the program council of the national PZPR theoretical periodical, MYSL MARKSISTOWSKA. The meeting's purpose was to evaluate the output of the periodical after its first year and to determine the tasks for the current year. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

PUSHKIN INSTITUTE IN WARSAW--A. Pushkin Institute for the Russian Language was established in Moscow for the express aim of increasing the level of familiarity with the Russian language throughout the world. One of the Institute's outposts abroad is the Warsaw branch of the Moscow Institute. The 10-year anniversary of the founding of this academic center was recently celebrated. In addition to representatives of Polish academia, guests from the Soviet Union also took part in the celebrations. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

KRAKOW PARTY AKTIV MEETS--In the Party draft program one finds many goals but too few instructions on how to reach these goals--such was the opinion stated at a meeting of party aktivs of the Krakow city voivodship on 22 March 1986 with Marian Orzechowski in attendance. During the course of the debate on the draft party program it is being pointed out that even if, having learned a lesson from the sad experiences of the past we are now drafting more cautious programs, we still can not afford to deal exclusively in "step-by-step" policies. Referring to the questions raised during the meeting, M. Orzechowski recalled that even though after 31 December 1981, propositions were made--within the very bosom of the party--to depart from the resolutions of the 9th Party Congress, this was not done. Today we go forth to the 10th Party Congress seeking answers to two fundamental questions: how were the resolutions of the extraordinary congress implemented? And how does one construct a forward-looking program for the nation reaching into the 21st century, based on the spirit of those resolutions and on the experiences of the last 40 years? [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 2] /3758

BUSINESS DIRECTORS SEMINAR--One in a series of seminars for the leading aktivs of those business enterprises which continue to be a focal point of interest to the PZPR CC was held on 21-22 March 1986. They discussed the conditions of creating and instituting a strategic policy for the enterprises and also the problems of cooperation between the director, the self-management organs, party and trade union organizations. M. Wozniak, Politburo member and CC secretary, met with the participants, during which time he presented the crucial issues relating to Poland's development in the context of the preparations for the 10th Party Congress. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 2]

RADIO, TV COMMITTEE MEETING--Party aktivs and management personnel met in conference on 22 March 1986 in the Committee for Radio and Television Affairs to discuss the tasks of radio and television in the pre-Congress campaign period. Edward Kwasizur, First Secretary of the PZPR CC, chaired the proceedings, and Jan Glowczyk, candidate Politburo member and secretary of the CC, summed up the session. In addition, Bogdan Jachacz, director of the CC Propaganda Department, and Mirosław Wojciechowski, Chairman of the Committee for Radio and Television Affairs, took part in the meeting. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 2] /3758

EDITORS OF PARTY DAILIES MEET--(Staff report) On the initiative of TRYBUNA LUDU, another in a series of meetings of the editors-in-chief of the PZPR dailies took place in Kazimierz. This time the meeting dealt with the tasks facing the party press in the period prior to the 10th Party Congress. The meeting was hosted by the editors of SZTANDAR LUDU. During the discussion, references were made to the resolutions of the 27th CPSU Congress, the deliberations of which were described by Jerzy Majka, editor-in-chief of TRYBUNA LUDU. The need for a greater aggressiveness on the part of the press was emphasized, as well as a closer connection between the topics explored in the newspapers and the problems which the working class and all of society face on a regular basis. Representatives of the Propaganda Department of the PZPR CC along with Department director Bogdan Jachacz took part in the

proceedings, Andrzej Szpringer, First Secretary of the PZPR Voivodship Committee in Lublin and the vicepresident of the "Prasa-Ksiazka-Ruch" Worker's Cooperative Publishing House, Alina Tepli, also took part. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 5]

**YOUTH MEETING ON PROGRAM DRAFT**--The party draft program was the subject of a two-day conference of the National Council of Young Science Workers of the Association of Polish Students [ZSP], which ended on 23 March 1986 in Rynia near Warsaw. Discussion centered on issues in the draft program relating to problems of special concern to academic centers that have an impact on the future of higher education and the role of science and learning in the life of the nation. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 5] /7358

**POPULARIZATION OF KNOWLEDGE MEETING**--A two-day national seminar organized by the Main Administration of the Society for the Popularization of Knowledge [TWP] opened in Lodz. The main theme of the seminar was the consolidation of socialism as the direction of Poland's development. Secretaries of the voivodship administrations and TWP lecturers and activists from throughout Poland took part in the discussions, which examined TWP activities prior to the 10th PZPR Congress. In connection with this year's celebration of the International Year of Peace, TWP is organizing, with the cooperation of the Main Administration of the Society for Soviet-Polish Friendship, a seminar with Polish and Soviet lecturers dealing with the problems of the peace initiatives of socialist countries, to be held in April [1986]. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15-16 Mar 86 p 2] /7358

**MICROCOMPUTER CLUBS SEEK EXPANSION**--A national meeting of Scout Union computer clubs and of those persons supervising the activities of these clubs was held in Warsaw. Over 100 representatives of micro-computer clubs functioning under the patronage of the Polish Scout Union [ZHP] throughout Poland discussed such issues as the clubs' potential and development program, the chances of acquiring computer parts and programming, and the clubs' personal and housing conditions. A representative from the Office for Youth Affairs of the Council of Ministers was on hand to present a plan for the development of microcomputerization among youth and the means of subsidizing the activities of the microcomputer clubs. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15-16 Mar 86 p 2] /7358

**STUDENT ASSOCIATION PLENUM**--The tasks of University Councils in the organization of student life was the topic of a plenum of University Councils of the Polish University Students Association [ZSP] held on 15 March 1986. The resolutions issued at the plenum set forth the tasks of the ZHP in awakening a spirit of social organizational, and political activism. They also accepted the organizational foundations for this year's summer campaign among college students, which will be used to publicize the results of the 10th Party Congress, further broaden the involvement of the academic community in the life of the local regions and cities, and to undertake initiatives serving peaceful world development. [Text] [Warsaw TRYBUNA LUDU in Polish 17 Mar 86 p 5] /7358



ARMY LAUDS PATRIOTIC SOCIETY--[Staff Report] Gen Div Dr Tadeusz Szacilo, Chief of the Main Political Administration of the Polish Armed Forces, met with Edmund Meclewski, chairman of the "Wisla-Odra" [Vistula-Oder] Association and deputy in the Polish Sejm. E. Meclewski gave the chief of the Main Political Administration a briefing on the association's accomplishments and its plans for the near future. During the course of the meeting they discussed issues related to patriotic and civic education programs for the general public and the process of instilling the public, especially the younger generation, with an awareness of its historic and national identity. Gen Div Dr T. Szacilo expressed his high regard for the work and initiatives of the "Wisla-Odra" Association. He emphasized the important role it plays in the patriotic education of our countrymen, in cultivating the traditions of the struggle to preserve the Polish character of the western territories and to restore those lands to the Motherland, and also in efforts aimed at consolidating the western frontiers of the Republic and the inviolability of the Piast Dynasty [medieval] frontiers along the Oder and Neisse rivers. [Text] [Warsaw ZOLNIERZ WOLNOSCI in Polish 16 May 86 p 1] /12858

CSO: 2600/432

POLITICS

ROMANIA

COUNCIL OF MINISTERS' TASKS TO ENSURE PLAN FULFILLMENT

Bucharest BULETINUL OFICIAL in Romanian Part I No 17, 4 Apr 86 pp 1,2

[Grand National Assembly Resolution No 1 on Council of Ministers Report Concerning Fulfillment of the Unified National Plan of Social and Economic Development of the Country in the First Quarter of 1986 and Measures to Ensure Full Implementation of the Provisions of the Plan for 1986]

[Text] The Grand National Assembly, having discussed the Council of Ministers Report concerning fulfilment of the Unified National Plan for Social and Economic Development in the first quarter of 1986 and the measures established to ensure full implementation of the provisions of the plan for 1986, finds that all economic and social activities have been conducted in the first quarter in the directions ensuring steadfast implementation during the first year of the 8th five-year plan of the historical resolutions of the 23th Congress of the Romanian Communist Party and execution of the party's program for creating a comprehensively developed socialist society and Romania's entry into a higher stage of development.

The Grand National Assembly expresses its high appreciation for the decisive contribution made by the secretary general of the party, the president of the Socialist Republic of Romania, Comrade Nicolae Ceausescu, to establishment and implementation of the entire policy of our party and state, to conduct of all activities on a thoroughly scientific and realistic basis, and to establishment of the most appropriate measures ensuring broad mobilization of the creative forces and energies of the people for the building of socialism and communism on Romanian soil.

Having considered the results achieved thus far in the economy and the measures established for full implementation of the provisions of the plan for 1986, the Grand National Assembly of the Socialist Republic of Romania hereby resolves the following:

1. The Assembly approves the Report of the Council of Ministers concerning fulfillment of the unified national plan of social and economic development of the country in the first quarter of 1986 and the measures established for full implementation of the provisions of the plan for 1986.
2. It requests the Council of Ministers to take action with the highest resolve to see that the ministries, other central and local authorities, and all economic units fully implement the measures established for the following purposes.

(a) exemplary fulfillment of the unified national plan of economic and social development and the special programs adopted for individual sectors and spheres of activity;

(b) regularity in manufacture of products, in terms of physical output and planned structure, improvement in the technical features and quality of products, and better utilization of raw and intermediate materials, fuels, and energy;

(c) manufacture of the full amount of products intended for export, in accordance with the quality requirements and delivery schedules specified in contracts.

Measures must be taken to make up the arrears in exports, with efforts applied to ensure regularity in manufacture of articles intended for export.

To ensure regularity in manufacture of goods for export, the Council of Ministers will take steps to make certain that the Ministry of Equipment and Materials Supply and Control of Fixed Asset Management will, together with the State Planning Committee, provide enterprises with raw and intermediate materials intended expressly for use in production for export which can be used only in production for export.

The ministries, centrals, and enterprises have the obligation of assigning priority to production and supply of materials required in production for export.

The use of raw and other materials intended for export for other purposes is to be considered a serious violation of the unified national plan and is to entail the imposition of penalties in accordance with the laws of the country.

(d) The creation of conditions for implementation of the investment program, commissioning of facilities, and achievement of the design parameters within the periods set, as well as for full utilization of existing production facilities and production areas.

(e) Improvement in the activities of organization of production and labor, modernization of manufacturing technologies and dissemination of technical progress, application of the flat rate and piecework systems and greater increase in labor productivity in all sectors of activity on this basis, reduction of the consumption of energy and materials, improvement in the coefficient of utilization of material resources, and reinforcement of order and discipline in all units.

(f) Full achievement of the planned targets connected with farm crop and livestock production, maximum efficiency in use of all land resources and equipment supplied; full implementation of the program of irrigation and other land reclamation projects; dissemination of advanced technologies of cultivation, harvesting, and livestock raising; promptness and high quality of execution of farming; and the greatest possible efficiency in provision and management of fodder resources.

(g) The Council of Ministers will take steps to liquidate surplus inventory and will report on the inventory situation to the Grand National Assembly at the next session of the Assembly.

(h) Steadfast application of the principles of worker self-management and autonomous economic and financial administration, to ensure full payment of expenses in every unit out of retained earnings, lowering of production costs and increase in profitability, increase in the value of output relative to the fixed assets used, adherence to the approved consumption standards, conduct of rigorous bank and financial auditing, institution of a strict system of conservation, and efficient management of national resources.

The Grand National Assembly finds that all the necessary conditions have been created for full implementation of the plan of economic and social development for 1986 and calls upon all workers to act with revolutionary resolve and selflessness to ensure better utilization of the entire material and human potential available to our society, so as to step up the pace of intensive and steady development of industry, agriculture, and the entire national economy, this forming a sure basis for ongoing elevation of the material and spiritual standard of living of our entire people, such elevation being the supreme goal of the policy of the Romanian Communist Party.

This resolution was adopted by the Grand National Assembly at its session of 3 April 1986.

Nicolae Giosan  
President of the  
Grand National Assembly

Bucharest, 3 April 1986  
No 1

6115  
CSO: 2700/145

POLITICS

ROMANIA

#### ACTIVITY, WORKS OF HISTORIANS IN 1985 VIEWED

Bucharest AMFITEATRU in Romanian Feb 86 p 8

[Article by Ion Calafeteanu: "The 1985 Cultural Year--Valuable Scientific Investigations in the Field of History"]

[Text] If one year is too short a period of time to draw any general conclusions concerning the development of Romanian history sciences, to formulate over-all characteristics concerning the methodology of inquiry, and, eventually, discern future lines of evolution, nevertheless this represents a period of time which allows certain findings and observations and, of course, the sketching of a balance sheet, all of which can constitute component elements of a comprehensive opinion over a longer period of time.

We begin our succinct annual retrospective review by underlining the variety of the themes to be treated, whose simple enumeration would have been absolutely sufficient to convey to us the size and extent of the process of inquiry into the past which Romanian historians have been and still are engaged in. It would be impossible for us to do that here. That is why we will be satisfied to show only that, for all practical purposes, all historical epochs which the development of human society has known, from the age of primitive communes to the age of the building of socialism, have been made the object of scientific investigation during the past year.

The subjects treated--and this is a constant in contemporary Romanian history sciences--were analyzed from the standpoint of historical materialism, which has allowed Romanian historians to accomplish some valuable scientific investigations, pointing out the profound causes of events and social phenomena investigated, depicting facts in an objective manner, fully in accord with historical reality.

The results obtained--some of them scientifically remarkable--could be published in the pages of specialized journals (among which we note ANALE DE ISTORIE, REVISTA DE ISTORIE, REVISTA ARHIVELOR, MAGAZIN ISTORIC, LUPTA INTREGULUI POPOR, the annual publications of history institutes of Iasi and Cluj-Napoca and also the publications of the county history museums as well as other cultural publications) and also discussed during scientific reports sessions.

And, of course, through books. A look at the publishing year 1985 in the field of history allows us, in the first place, to emphasize the continuation of a



collection of sources well-known to the specialists (we have in mind the series "Documenta Romaniae Historica"), the initiation of other ("Romania's Image Through Travelers,") the appearance of works concerning the beginning period of Romanian feudalism (Victor Spinei, "Ethnic and Political Realities in Southern Moldavia During the 10th-13th Centuries, Romanians and Turanians"; Sergiu Iosipescu, "Balita, Dobrotita, Ivancu") collections of studies titled "Romanian Medieval and Modern Civilization" (prepared by Nicolae Elian, Aurel Radutiu and Pompiliu Teodor) and "Romanian National Unity in the Modern Epoch, 1821-1918" (authors: Nichita Adaniloaie, Anastasie Iordache, Paul Oprescu,) George Potra's monographs on "The History of the Inns of Bucharest" and Dumitru Martinas on "The Origin of the Ceangai, the Hungarian-Speaking Population in Moldavia." Two works of historiography--both by Iasi historians and published in the collection "Biblioteca Historica" of the Academy's Publishing House--complete this scenario of concerns: V. Cristian, "The Contribution of Historiography to the Ideological Preparation for the Romanian Revolution of 1848" and Al. Zub, "From Critical History to Criticism, Romanian Historiography at the End of the 19th and the Beginning of the 20th Centuries." Alexandru Zub is also the editor of the Fourth Edition of "The History of the Romanians," by A.D. Xenopol, initiated by the Scientific and Encyclopedic Publishing House (of which the first volume appeared last year; text, notes, commentary and indexes by V. Mihailescu-Birliba) which, in its relationship and significance, goes beyond the strict bounds of history, becoming a true act of national culture.

Looked at through the prism of publications, the year 1985 makes itself felt, however, as a year dominated by works dedicated to the period after 1918 and, especially, to the years of the Second World War and the period immediately following. We illustrate, in this sense, with works authored by Gheorghe Iancu, "The Contribution of the Leadership Council Towards the Consolidation of the United Romanian National State, 1918-1920"; Olimpiu Matichescu, "History Does not Step Backward"; Marin Badea, "Under the Open Sky of the Month of May"; Liviu Dandara, "Romania in the Whirlpool of the Year 1939"; V. Malinschi, Economics, Law, Diplomacy According to Nicolae Titulescu"; Ioan Talpos, Mihai Retegan, Dan Radulescu, "The Defense of the Nation, The Principal Objective of the Romanian Antifascist Movement, 1933-1939"; Gheorghe Zaharia, Ion Cupsa, "Romania's Participation in the Defeat of Nazi Germany"; the volume "The National Antifascist Committee," (prepared by a group of historians from the Institute of Historical and Sociopolitical Studies of the Central Committee of the Romanian Communist Party); Volumes 3 and 4 from the collection of documents "23 August 1944, Documents. 1944-1947" (coordinators: Ion Ardeleanu, Vasile Arimia, Mircea Musat,) and also the work "The Horthyist-Fascist Terror in Northwestern Romania, September 1940-October 1944" (coordinators: Mihai Fatu and Mircea Musat).

We will close this succinct retrospective review with two points. The first refers to the affirmation on an international level of Romanian history sciences as a consequence of the publication of certain works in internationally known languages, of the activity of the publication REVUE ROUMAINE D'HISTOIRE, of requests for works and articles made to Romanian historians by foreign publishing houses and editorial boards (thus, nr 4/1985 of the prestigious REVUE D'HISTOIRE DE LA DEUXIEME GUERRE MONDIAL ET DES CONFLITS CONTEMPORAINES"

published four articles signed by Romanian historians) also as a consequence of the participation of our country's historians in numerous scientific conventions abroad. We recall in this connection, that in 1985 the 16th International History Congress took place in Stuttgart, at which the delegation of Romanian historians made a valuable and prestigious scientific contribution.

The second point we wanted to make refers to a more energetic involvement during this past year by Romanian researchers in the field of history in combatting reactionary, antiscientific theories and certain chauvinistic tendencies which still manifest themselves on the international scene. There still exist today, unfortunately, historians who are apologists for territorial conquests, for the subjugation of other peoples, who are nostalgic about multinational empires of old which have been definitively condemned by the implacable laws of historical development, who deny the objective and just character of the formation of nation-states, who dispute borders currently existing in the world, encouraging--openly or covertly--revisionism and revanchism.

Combatting these destructive theories for the sake of promoting historical truth, of respect for the history of every people and of a clear understanding of the commandments of the current era represents the contribution of Romanian historians to the cause of peace, friendship and collaboration among all peoples of the world.

/13045

CSO: 2700/174

POLITICS

ROMANIA

BRIEFS

PEOPLES COUNCIL APPOINTMENT--On the basis of Article 97 of Law No 57/1968 on the organization and operation of the peoples councils, the President of the Socialist Republic of Romania decrees that Comrade Ion Licu is delegated to fill the position of deputy chairman of the executive committee of the Calarasi County Peoples Council. [Excerpts] [Bucharest BULETINUL OFICIAL in Romanian Part I No 24, 19 Apr 86 p 2] /12858

PRESIDENTIAL APPOINTMENT--The President of the Socialist Republic of Romania decrees that Comrade Aurelian Gubandru is appointed to the position of vice-chairman of the Bank for Agriculture and the Food Industry. [Excerpts] [Bucharest BULETINUL OFICIAL in Romanian Part I No 24, 19 Apr 86 p 2] /12858

CSO: 2600/165

POLITICS

YUGOSLAVIA

GRLICKOV DIFFERS WITH SAWPY COLLEAGUES ON 'CRITICAL ANALYSIS'

Belgrade BORBA in Serbo-Croatian 17-18 May 86 p 8

[Excerpt] In waging the public discussion on the Critical Analysis of the Functioning of the Political System, members of the Presidium of the SAWPY (Socialist Alliance of Working People of Yugoslavia) Federal Conference have not been in agreement on all assessments. If most of the 10 participants in the [Presidium] discussion stressed that in the public discussion quite a few constructive suggestions were heard..., there were some differences in the assessment, for instance, as to whether the Critical Analysis is "in conflict" with the economic stabilization program.

Jovan Dejanovic, president of the [SAWPY] section for development of the political system, said that "the opinion prevails that there are no essential differences between the Critical Analysis and the economic stabilization program, that the goals are the same, and that certain formulations which are in dispute can be brought into accord with further discussion and action." Dr Aleksandar Grlickov, president of the Federal Conference, was of a somewhat different opinion, since he said that there are 27 differences between these two documents [the Critical Analysis and the Long-Term Program of Economic Stabilization (DPES)], of which "some are imprecise formulations" while others reflect "some-what basic differences." He added that in seven cases they [the formulations] are not "even connected with the Constitution."

Although members of the Presidium mostly dealt directly with the report drawn up on the basis of republic and provincial reports, as well as [the report of the] SAWPY work program in realizing the most important commitments from the Critical Analysis, some, like Marijan Kotar from Slovenia, advocated a clarification of "open questions." Kotar even said that agreement should be reached in the Federal Conference on the questions of consensus, on the above-mentioned differences between the Critical Analysis and the DPES, on the authority of the federation, the polemic surrounding [the question of whether there should be a federal] chamber of associated labor, and relations within the Socialist Republic of Serbia.

Aleksandar Grlickov offered a more realistic approach, foreseeing that there will be considerable discussion yet on these problems but that, one by one, they must be eliminated from the agenda if our political life is not to be burdened and all channels not fully blocked in the functioning of the political system.

Grlickov also said that discussions on the political system will inevitably continue in all bodies which have been working on constitutional and legislative changes, because there are no "finished solutions." As characteristic of our a-priori divisions he mentioned the discussions on the chamber of associated labor and on the question of consensus, displaying a wide dialectical approach to these questions in which consideration is given to the nationality and class components of Yugoslav society but also to the requirements of the modern world to which the "technology of decision-making" must adapt also.

Advocating more rapid enactment of concrete solutions, reminding participants in the debate that any amendment to the present Constitution requires 1 year [to enact], Grlickov said that the task of the Socialist Alliance is to change the "atmosphere of great expectations" to an "atmosphere of at least small changes" because after victories in small battles, wars are won, but [they are] not [won] in great expectations.

At this meeting the Presidium supported the proposal to elect Nenad Bucin as president of the Federal Conference of SAWPY for 1 year.

/12766

CSO: 2800/263



POLITICS

YUGOSLAVIA

STUDENT PAPER RIDICULES KOSOVO OFFICIAL

[Editorial Report] Belgrade STUDENT in Serbo-Croatian on 2 April 1986, page 3, carries an attack on a Kosovo official. The Belgrade University student weekly's customary unsigned chatter column opens with an alleged contemporary [the writer uses both Zagreb and Belgrade versions of the word] fairy tale: "Once upon a time there was a family of Albanians, some of whom worked abroad (what they did and how they left are irrelevant to the fairy tale). The family lived modestly, saved, deprived themselves and others, and with hard work over the years accumulated a certain amount of money, partly dinars and partly hard currency. This money the hard-working and honest Albanian family spent on a useful purpose, namely buying up property from their neighbors (who were in a hurry to catch a northbound train) for the modest price of 5 or 6 million dinars. To cut the fairy tale short, the aforementioned family lived happily forever after on that property." The columnist mockingly ascribes the fairy tale to Rahman Morina, Kosovo province secretary for internal affairs. In conclusion: "Every fairy tale is beautiful until it turns bloody."

/12858

CSO: 2800/255

POLITICS

YUGOSLAVIA

BRIEFS

DRAGOSAVAC INJURED--Last evening about 8 p.m. an auto accident occurred on the Zagreb-Rijeka road near Delnice in which Dr Dusan Dragosavac member of the LCY CC Presidium, was injured. After first aid treatment at the hospital in Rijeka, he was transferred today [13 May] to the military medical hospital. Prof Dr Zivka Jovanovic, head of the trauma section there, said Dragosavac had suffered a broken leg but his general condition is good. [Excerpt] [Belgrade BORBA in Serbo-Croatian 14 May 86 p 12]/12766

CSO: 2800/263

END

In case of a person stealing or robbing mining products or other property of a mining enterprise or prospecting unit, in case of a person destroying mining or prospecting installations, in case of a person disrupting the production or work order in the mining or prospecting area, the judicial authorities shall consider criminal prosecution according to law. If the circumstances of the case are obviously not serious, a penalty may be imposed according to the Security Administration Punishment Act.

The said law, furthermore, establishes legal responsibilities in such separate cases as when a person exceeds his mining area, trades, rents or otherwise disposes of mineral resources, when a person trades, rents or mortgages his mining right, or in violation of regulations purchases or sells mining products for which the state has decreed centralized procurement, or when a person employs methods of a destructive nature in mining, leading to serious damage being suffered by the mineral resources.

9808

CSO: 4006/891

## INDUSTRY

### DEVELOPMENT OF CIVIL AIRCRAFT GIVEN PRIORITY

Beijing ZHONGGUO JIXIE BAO in Chinese 20 Mar 86 p 1

[Article by Ge Yunchi [5514 6663 3069]: "Civil Aircraft Development A Priority During the Seventh 5-Year Plan"]

[Text] In accordance with the correct policy laid down by the CPC Central Committee, namely that domestic civil aviation in the future shall use Chinese-manufactured aircraft exclusively, the Ministry of Aeronautics will make the development of civil aircraft its top priority during the Seventh 5-Year Plan. In quantity, performance and quality, the production of civil aircraft in the next 5 years will surpass the entire 36 years following the establishment of the PRC.

Since the People's Republic was founded, China's aviation industry has seen uninterrupted growth and development. Today it is a powerful industry employing hundreds of thousands of workers and comprising hundreds of enterprises and scientific research units. Thus far it has manufactured close to 10,000 airplanes of all types, a vital contribution to the defense and development of the socialist motherland.

Since a strong defense is basic to the development of the motherland, the country's aviation industry has consistently considered the production of military aircraft its No 1 mission and limited its civil products to the occasional spinoffs from the R & D of military planes. Be that as it may, the industry has managed to turn out six or seven types of civil aircraft of various models, beginning with the birth of Transport 5 in October 1957, and has already developed the capacity to produce some of these planes in batches. They have proved highly useful in domestic transportation, disaster relief, geological survey, agriculture and forestry.

At present China's civil aircraft industry is concentrating on medium and small airplanes. Among planes being built through the batch process and sold commercially are Transport 5, 7, 8, 11 and 12; Helicopter 9; and three ultra-light planes, Bee 3, and Dragonfly 5 and 6. Characteristic of all the planes are their safety, reliability, lightness, versatility and economic efficiency. So far over 300 Transport 5's have been built, for extensive use domestically and for export to five nations, including Pakistan and Korea. As a special agricultural plane, Transport 11 is highly popular with major farms and

forestry centers around the nation; 30 such planes are now in service. Transport 7 is the first medium or short-range feeder transport plane made by China. Its improved version, Transport 7-100, is a passenger plane that has caught the attention of foreign businessmen with its electronic navigation and cabin environment matching standards of the 1980's. Modelled on Transport 11, Transport 12 is a multipurpose civil airplane designed in accordance with relevant standards in US federal aviation regulations; it has obtained a model qualifying certificate from the Civil Aviation General Administration and is a prime candidate to pry open the international market. With a carrying capacity of 20 tons, Transport 8 is one of the only two medium-sized transport planes in the world today. A machine of great potential, it has flown over every province, municipality and autonomous region in the nation, except Taiwan, and made 23 trips to Xizang in the 10 years since it was first built. Helicopter 9, manufactured by China using patented technology imported from Yuhang Company of France, is a lightweight helicopter and also the first Chinese helicopter to obtain a foreign airworthiness certificate. The country's ultra-light planes--Bee 3, Dragonfly 5 and 6--are attracting more and more attention because of their safety, reliability, practicality and inexpensiveness.

To achieve the great objective of using only Chinese aircraft for domestic civil aviation as soon as possible, the State Council has decided to "allocate special R & D funds for civil aircraft, make such appropriations a separate budgetary item and incorporate them in the national plan." It has also defined its policies in the Seventh 5-Year Plan as follows: "Concentrate resources on the development of new feeder aircraft and special agricultural and forestry planes and make the utmost use of imported engines, electronic parts and other components in the domestic manufacture of aircraft in order to improve our models to meet the needs of modern civil aviation." This is a sign that the heyday of healthy growth for China's civil aviation industry has arrived.

12581  
CSO: 4006/1030



## INDUSTRY

### RAW MATERIALS INDUSTRY DEVELOPS RAPIDLY IN ANHUI

Hefei ANHUI RIBAO in Chinese 9 Apr 86 p 1

[Article by Chen Baoshan [7115 1405 0810]: "Raw Materials Industry Makes Rapid Progress in Anhui"]

[Text] How to accelerate the development of the raw materials industry? A constructive approach by Anhui is to cooperate with neighboring provinces and municipalities also lacking in raw materials, share the fruits of joint development and make use of one's own strengths.

With its longstanding reputation as "the land of energy and raw materials in east China," Anhui abounds in such resources as coal, iron, copper, sulfur and limestone. Transportation in the province is also convenient. In the past, the government invested heavily in a number of key enterprises, boosting economic development in east China tremendously. However, limited funding has prevented the exploitation of vast quantities of resources. The output of the raw materials industry, in particular, falls far short of the needs of the situation.

The appearance of horizontal economic and technical cooperation has broadened people's vision and opened up a new way to quicken the pace of raw materials production. The local government wanted to put up a 300-cubic meter blast furnace at Wuhan Steelworks which has adequate resources and is accessible, but lacked the necessary funds. In the first half of 1985, Anhui cooperated with Shanghai's Metallurgy Bureau and relevant agencies in Jiangsu Province, shortly raising over 50 million yuan. Construction on the project began in the second half of 1985, with production scheduled for this year or early next year. Taking a similar tack to fund-raising, the building-materials, chemical and other industries in Anhui have also built or modernized a number of cement plants and marble works, thereby easing the shortage of building materials and chemical raw materials.

To promote cooperation and attract capital, the provincial government has drawn up preferential policies specifically for projects funded by a pooling of capital. Under past regulations, only after a project went into production were materials shared. Now Anhui is willing to supply the other party with materials when it has a dire need. In tax, industrial and commercial administration and transportation, too, the government tries to be as

accommodating as possible. There is a huge limestone mine with 800 million tons of reserves at Sanxingshan in Tongling Shi. Last year, Anhui reached a trilateral agreement with Shanghai and the State Building Materials Bureau under which they would jointly invest in a large cement plant with an annual output of 1.5 million tons to be divided among the three partners. This project has won the support of the State Planning Commission and construction is to begin soon, with completion scheduled for 1990.

The joint development of the raw materials industry solves the problem of lack of funds as well as speeds up its pace. According to people in charge of the provincial Office of Cooperation, there have been over 50 large-scale cooperative projects, representing an infusion of capital exceeding 250 million yuan, in the raw materials industry between Anhui and its neighboring provinces and municipalities as well as relevant agencies in the central government in the little more than 3 years since 1983. Upon completion, the projects will produce 2.3 million tons of cement, 400,000 tons of pig iron and 600,000 tons of ferrous sulfate.

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CSO: 4006/1014

## INDUSTRY

### SATISFACTORY INDUSTRIAL GROWTH IN ANHUI IN FIRST QUARTER

Hefei ANHUI RIBAO in Chinese 9 Apr 86 p 1

[Text] With the vigor of a tiger, Anhui has been persisting in economic reform and forging horizontal economic cooperation in this Year of the Tiger. As a result, industrial production in the very first year of the Seventh 5-Year Plan has gotten off to a good start; according to the Anhui Statistical Bureau, gross industrial output value in the first quarter of 1986 went up 8 percent over the same period last year.

As we enter the first year of the Seventh 5-Year Plan, factories, mines and other enterprises in the province have further improved all kinds of economic responsibility systems and stepped up output in such heavy industries as iron, steel, coal and electricity generation. During the first quarter, key heavy industrial products, including pig iron, steel, rolled steel, soda, caustic soda, raw coal, electricity and cement all fulfilled plan quotas and registered substantial gains over the corresponding period in 1984. The growth rates for steel, rolled steel, raw coal, electricity generation and cement were 6.1, 4.2, 0.5, 9.8 and 32.2 percent respectively.

In accordance with the demands of the Seventh 5-Year Plan, the province has vigorously pursued all manner of cooperation and expanded the production of light industrial consumer goods. Hence the 13.5 percent increase in gross output value in light industry compared to the first quarter in 1984. Economic efficiency too has gone up. The production of domestic refrigerators, beer, watches, machine-made paper and cardboard has doubled in volume. The total value of textile exports has risen by more than 50 percent.

12581

CSO: 4006/1014

## INDUSTRY

### OPEN DOOR POLICY BOOSTS GUANGDONG TEXTILE INDUSTRY

Guangzhou KAIFANG [OPEN POLICY] in Chinese No 3, 8 Mar 86 pp 22-24

[Article by Li Chi [2621 3589]: "Guangdong Textile Industry Making Rapid Progress"]

[Text] The textile industry is one of Guangdong's oldest industries. For years, however, the province has been conditioned by "leftist" ideas and outdated thinking into believing that since it does not produce cotton and is a coastal province with frontier defense responsibilities, it is not suited to develop a textile industry in any serious way. Up to the 3d Plenum of the 11th CPC Central Committee, therefore, textile industry in the province had made little progress, what with its obsolete equipment and technology and unsound industrial structure: Spinning accounted for a larger share of the industry than weaving, which, in turn, was more important than dyeing. Outdated equipment was commonplace, technology was lacking, the managerial standard was low and the products uncompetitive.

After the 3d Plenum of the 11th CPC Central Committee, Guangdong welcomed the arrival of spring in its textile industry. Leaders at all levels--provincial, municipal, prefectural and county--consider the development of the industry a priority and make use of the open door policy, the province's proximity to Hong Kong and Macao and its large number of overseas Chinese to raise capital through a variety of channels: compensation trade, the three forms of import processing, joint ventures, bank loans and local fund-raising. Advanced equipment and technology was introduced at various levels, through various channels and in various ways, resulting in an embryonic but relatively comprehensive textile industry. Statistics show that since 1979, 82 local enterprises throughout the province have successively spent \$317 million in foreign exchange importing a total of 6,622 plants or single pieces of key machinery. In 1984 and 85 alone, technical modernization, infrastructural development, joint ventures, the three forms of import processing and compensation trade accounted for 623 million yuan of budgetary allocations. At present the imported technology is being put into production one after another and has been instrumental in accelerating the development of the province's textile industry, increasing variety, color and design, enhancing the competitiveness of its products and stepping up exports. The industry's gross output value reached 3.406 billion yuan in 1985, 497 million more than the 1984 figure of 2.549 billion yuan, an increase of 19.49 percent, the highest

in the industry nationwide. The province's textile industry fulfilled the target in the Sixth 5-Year Plan 14 months ahead of time and doubled its output value 61 months earlier than planned. In gross industrial output value, it ranked 10th nationwide, up from 13th. State-owned textile enterprises netted 222 million yuan in profits in 1985, 45.99 percent more than in 1984. Their taxes and profit taxes amounted to 138 million yuan and 207 million yuan respectively, representing gains of 23.65 percent and 17.48 percent over 1984. For the second year in a row, output value, taxes and profit taxes all went up simultaneously.

Premier Zhao Ziyang has pointed out, "In importing technology, we must set our sights at the highest level in the world and should not repeat what others have done. Moreover, we must coordinate the import of key equipment. The modernization of technology must go hand in hand with that of equipment." We must decide the focus of our import policy based on the spirit of the premier's instructions. As far as guiding ideas are concerned, we have gone out of our way to achieve the "four combinations," i.e., combining the import of advanced technology and equipment with the technical modernization of old enterprises, with the effort to lay the groundwork for overtaking the world's advanced nations, with the export drive, and with new product development. Specifically, we have "come to grips with the two ends, led the middle, and emphasized one aspect." In other words, we have expanded our cotton spinning capacity, developed the chemical fiber raw materials industry to provide raw materials for knitting and weaving enterprises, and upgraded printing and dyeing facilities to adjust the imbalance between weaving and subsequent treatment. Before 1979, we met 60.08 percent of the province's cotton yarn requirements. Now we produce enough cotton yarn to satisfy the needs of the weaving, knitting and reproduction industries, with a little surplus for export. A good deal of efforts has also been made to develop the chemical fiber raw materials industry: a host of mainstay enterprises have been built in recent years, including the Xinhui Polyester Fiber Plant, the Foshan Chemical Fiber Plant and the Guangzhou Synthetic Fiber Plant, and existing chemical fiber enterprises have been expanded, so that there has now emerged a fledgling production system for six major categories of chemical fiber raw materials--polyester staple fiber, polyester fiber filament, polypropylene fiber filament, viscose fiber, fiber, and polyamide fiber. In 1985, the output of chemical fiber raw materials reached 31,065 tons, a 5.15-fold increase over the 1978 figure of 5,054 tons. During the same period, annual printing and dyeing capacity expanded 4.04-fold from 37.73 million meters to 190 million meters. Before 1979 cotton cloth printing was nonexistent; today its annual output stands at 2,500 meters.

Long praised as "the flower of the south," knitwear is one of the stronger sectors of Guangdong's textile industry. It enjoys a good reputation at home and abroad and is a promising vital industry. To upgrade its knitwear products and put an end to its historical dependence on the "three traditional types" of product, namely, sweat shirts and pants, cotton shirts and pants and vests, Guangdong must increase product variety, including color and design, and step up export. Through such mechanisms as import processing and loans, the province has imported 3,760 plants or sets of knitwear equipment since 1979, 56.78 percent of all its imported equipment. No longer does the knitwear industry turn out only pure cotton goods. Guangdong No 4 Knitwear



Factory, for example, was mostly fitted with equipment dating from the 1920's and 30's and had only 800,000 yuan in fixed assets. In recent years, it adopted the method of "borrowing a hen to lay eggs and selling the eggs to buy hens," and imported 235 pieces (sets) of advanced equipment to replace 70 percent of its old machinery. While it used to produce just one line of product previously, it has now matured into an export-oriented enterprise turning out a dazzling variety of goods, from thick to medium to thin. Its profits have risen more than 200 percent compared with the pre-modernization days.

Guangdong's drive to import equipment and technology in recent years has been marked by an emphasis on "suitability," "excellence," and "promptness." Efforts have also been made to "keep up" with the imports.

"Suitability" means importing the kind of advanced technology and equipment best suited to fill the nation's and province's technical void. We must aim high, transcend the conventions of technological development and make the world's latest technology today serve China. Among the technology and equipment imported by Guangdong is some which is of the standards of the late 1970's and early 80's. A large part of it has helped fill the gaps in China's and Guangdong's scientific and technical know-how, eg., the "compact" high-speed polyester-fiber spinning machinery imported by Xinhui Polyester Fiber Plant; "compact" FDY high-speed spinning machinery for both polyester fiber and polypropylene fiber, imported by Xinhui Synthetic Fiber Plant; and a production line for polymerization, the reeling off of raw silk from cocoons, weaving, dyeing and polyamide fiber, imported by Xinhui Dyeing and Weaving Factory as an assimilation project incorporated in the Seventh 5-Year Plan for the 1980's. Both the warp knitting equipment at Heshan General Woollen Mill and the high-pressure hosing equipment for polyester fiber and polyamide fiber lining glue imported by Foshan Woollen Sweater Company supplied China and the province with something they lacked before.

"Excellence" means selecting quality equipment that is advanced by international standards and adapts well to China's conditions. Over the past few years, before we imported a piece of technology, we first tried to understand its technical functions, price and the availability of parts and components. We insisted on comparison shopping and avoided rushed or shortsighted purchases, an approach now proved by facts to have ensured that the import would later be put into production successfully. Of our imports now in service, basically every single item went into operation without a hitch and has been performing satisfactorily since then, turning out products that are competitive on account of both their quality and their diversity.

"Promptness" refers to the speediness with which project negotiations proceed, a deal is clinched, infrastructural facilities go up and a project pays off. Judging from the experience of several major imported projects in Guangdong involving chemical fiber, knitwear, wool spinning and cotton spinning plants, it usually takes a year and a half, but sometimes as soon as a year, for a project to get off the ground, from infrastructural development through the installation of equipment to trial production. These projects were able to go into operation quickly because, first, the provincial government has given the localities and enterprises considerable discretion in the application of

relevant policies and regulations. Second, leaders and agencies at all levels take the textile industry seriously and support it. When a major project is at stake, a leader in the local government will always take charge of coordinating its various aspects, such as capital, materials, site formation and construction to make sure things actually get done. Third, provincial corporations plan comprehensively and allocate rationally on a macroeconomic scale. They support any local projects as long as they meet policy requirements, satisfy overall provincial allocation needs, have guaranteed sources of funding and raw materials and marketing channels, and are economically efficient. What is more, they give concrete assistance to the enterprises to help them overcome the problems encountered in the course of putting up a project, and smooth their relations with units above and below to ensure that the project is completed, goes into operation and begins generating income without delay. Where the project concerned is of great significance or sets a trend, the leadership of provincial corporations will get personally involved in solving the detailed problems attendant upon project development.

"Keeping up" means providing personnel with technical training to enable them to handle the project in question. After a project is finalized, we always train the "horseman even before the horse is here," that is, we select a batch of key personnel and send them abroad or to relevant factories within China for training. We also invite experts to give lectures. When the plant is completed, the personnel will be well equipped to perform their duties. That is why technology and equipment imported by the province has basically been able to operate successfully at the very first trial.

The import of advanced technology and equipment has laid a solid foundation for the development of the province's textile industry. During the past few years, we have organically integrated technology import with the development of new product lines and the diversification of design and color to satisfy market demand and enhance product competitiveness. We have also expanded the application of imported equipment from one raw material to several. Since 1981, textile industry throughout the province has trial-manufactured 32,020 "four-new" items, of which 801 were new products, 10 won the silver shield awards of the state, 26 received the outstanding quality awards made by the Ministry of Textile Industry and 57 captured the province's outstanding quality awards.

With an eye to balancing our foreign exchange, we have taken pains in recent years to coordinate vital equipment that would help our export drive, even as we imported advanced technology and equipment in the form of plants. Statistically, the province's textile industry earned \$1.133 billion in foreign exchange from 1979 through 1985, 3.57 times its expenditures of \$317 million on technical import. Take, for instance, Guangdong No 1 Cotton Mill, an old enterprise which used to make primarily cotton cloth and cotton yarn. To upgrade its products and increase exports, the mill since 1979 has acquired from Hong Kong through compensation trade and import processing a complete set of spinning, weaving, dyeing and treatment machinery for manufacturing indigo denim. After the equipment went into operation, the mill produced a total of 36.79 million yards of denim from 1982 through 1985, of which 27.63 million yards, or 75 percent, were exported, earning \$31 million in foreign exchange

on sales of 108.95 million yuan. Its foreign exchange earnings represent five times what it spent to import the entire plant.

At present a number of problems remains in project planning. For example, most projects are still of the extensive type and few old factories have really been modernized; domestically-oriented projects outnumber export-oriented ones; more enterprises spend foreign exchange than earn it; and a lag exists between technology import and technology absorption and assimilation. All this awaits solution through our continuous efforts.

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CSO: 4006/1014

## INDUSTRY

### ZHEJIANG INDUSTRIAL OUTPUT UP 9 PERCENT IN FIRST QUARTER

Hangzhou ZHEJIANG RIBAO in Chinese 11 Apr 86 p 1

[Text] In Zhejiang, leaders at all levels attach a good deal of importance to industrial production and insist that it grows at an appropriate rate on the basis of improving economic efficiency. During the first quarter, gross industrial output value for the whole province rose 9 percent over the same period last year, while gross light industrial output value increased 10.7 percent; the momentum for sustained, steady and balanced growth has been maintained.

Earlier some comrades took a one-sided view toward the issue of growth rate, believing that "slow growth is better than fast growth." This notion, coupled with the half-hearted efforts to implement economic responsibility systems within enterprises and the lack of raw materials, has definitely affected production. Based on their in-depth studies, provincial government leaders stress that leading comrades at all levels must correctly interpret the growth rate issue in an overall context. On the one hand, they must say no to the kind of unchecked fast growth that pays no heed to the constraints imposed by limited financial and material resources and the capabilities of the various quarters. On the other hand, they must take into account growing social needs and do all they can to tap every potential, raise production, improve supplies and ensure an appropriate rate of economic growth, on condition that product quality is improved, the consumption of energy and raw materials is reduced and economic and social efficiency is emphasized.

With a unified understanding of growth rate matters, leaders at all levels, from provincial through municipal and prefectural to county, have generally intensified their guidance over economic work and made thorough on-site investigations to solve problems. The Zhejiang Economic Commission and departments in charge of industry at all levels have improved the production regular meeting system and promptly overcome production problems. These departments, together with others in charge of materials, grains and transportation and banks have supported and closely cooperated with one another, doing their best to provide enterprises with materials like industrial salt and industrial grains as well as capital to ensure their normal production. Everywhere industrial departments have taken an array of

measures to substantially boost the output of popular articles of daily use that are in great demand. Statistics show that of 40 categories of light industrial products, 34, or 85 percent, registered a gain in output in the first quarter compared with the same period a year ago. The increases were particularly impressive for domestic electric appliances and daily consumer goods; refrigerator and radio cassette recorders output went up 156 and 143 percent, respectively. The gains in watches, electric fans, woolen goods, beer, canned food and glass of daily use ranged from 20 to 83 percent.

12581

CSO: 4006/1030



## CONSTRUCTION

### MAJOR HIGHWAY PROJECTS IN SEVENTH 5-YEAR PLAN

Chengde JINGJI XIAOXI in Chinese 11 Apr 86 p 5

[Text] Of the 42 roads scheduled to be built during the Seventh 5-Year Plan, 27 are major highways, as follows:

- (1) Beijing-Tanggu Expressway. 142.5 km.
- (2) Beijing-Shenyang Highway. Conversion to Class 2 (and Class 1 in part), 346 km.
- (3) Shenyang-Dalian Highway. New construction and conversion to Class 1, 390 km.
- (4) Shenyang-Harbin Highway. Conversion to Class 2, 450 km.
- (5) Siping-Hunjiang Highway. New construction and conversion to Class 2, 273 km.
- (6) Suifenhe-Qiqihaer Highway. New construction and conversion to Class 2 and 3, 390 km.
- (7) Xilinhaote-Saihantala Highway. Conversion to Class 3, 354 kilometers.
- (8) Taiyuan-Yuncheng Highway. New construction and conversion to Class 1, 8 km, and Class 2, 292 km.
- (9) Shanghai-Nanjing Highway. Conversion to Class 1, 5 km, and Class 2, 275 km.
- (10) Shanghai-Hangzhou Highway. Conversion to expressway, 21 km; Class 1, 24 km; Class 2, 116 km.
- (11) Hefei-Nanjing Highway. Conversion to Class 1, 135 km.
- (12) Nanjing-Hangzhou Highway. New construction and conversion to Class 2, 118 km.
- (13) Fuzhou-Xiamen Highway. Conversion to Class 2, 266 km.

- (14) Jinan-Qingdao Highway. New construction and conversion to Class 1, 125 km.
- (15) Shangrao-Pingxiang Highway. Conversion to Class 2, 208 km.
- (16) Nanchang-Jiujiang Highway. New construction and conversion to Class 1 (one lane), 125 km.
- (17) The eastern route of the beltway on Hainandao. New construction and conversion to Class 2, 272 km.
- (18) Nanjing-Beihai Highway. Conversion to Class 2, 198.5 km.
- (19) Liling-Xinhuang Highway. New construction and conversion to Class 1, 18 km; Class 2, 40 km.
- (20) Luocunkou-Kunming-Wanding Highway. Conversion to Class 2 and 3, 557 km.
- (21) Chinese section of the Chinese-Nepalese Highway. New construction and conversion to Class 3, 134 km.
- (22) Lintong-Xian-Tongchuan Highway. Conversion to Class 1, 129 km.
- (23) Chinese section of the Chinese-Pakistani Highway. Conversion to Class 3, 420 km.
- (24) Baotou-Lanzhou Highway. Conversion to Class 2, 460 km.
- (25) Lanzhou-Xining Highway. Conversion to Class 2, 129 km.
- (26) Xining-Guoluo. Conversion to Class 3, 233 km.
- (27) Guangzhou-Zhuhai. New construction and conversion to Class 2, 100 km.

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## FOREIGN TRADE AND INVESTMENT

### JOINT CONFERENCES PROMOTE SINO-U.S. TRADE

HK210824 Beijing GUOJI SHANGBAO in Chinese 12 May 86 p 1

[Report by reporter Hao Ping [6787 1627]: "Promote Continuous Development of Sino-U.S. Trade"]

[Text] At the invitation of American Vice President George Bush, Vice Premier Yao Yilin left Beijing on an official visit to the United States on 12 May. As the chairman of the Chinese side, Vice Premier Yao will co-chair the fourth meeting of the Sino-U.S. Joint Commission on Commerce and Trade to be held in Washington.

Since 1981 when former U.S. Secretary of State Haig visited China and suggested establishing the Sino-U.S. Joint Commission on Commerce and Trade, the two countries have held three meetings in Beijing and Washington respectively with the first meeting being held in 1983, the second in 1984, and the third in 1985. The responsibilities of the Sino-U.S. Joint Commission on Commerce and Trade are to examine and discuss bilateral economic cooperation, investment, technological transfer, and the situation of bilateral trade development; look for measures and steps to eliminate the obstacles; and continuously promote the smooth development of bilateral economic and trade relations.

Since 1972, when Nixon visited China and the two countries signed the Shanghai communique, Sino-U.S. economic and trade relations have been developing very fast. By the end of 1985, the total amount of direct U.S. investment in China exceeded U.S. \$2.1 billion and the number of Sino-U.S. joint ventures already approved had reached 130.

According to the customs statistics, in 1985, the Sino-U.S. import and export volume reached U.S. \$7.3 billion, hitting an all-time high. The volume of China's imports from the United States was U.S. \$5 billion, in which the proportion of mechanical, electric, and instrumental products accounted for nearly 40 percent; the volume of China's exports to the United States was U.S. \$2.3 billion, which was equivalent to that of 1984. The various economic and trade agreements signed and the various joint commissions established between the U.S and Chinese Governments stand in the forefront both in number and in scope among all the countries that have economic and trade relations with China. The United States has

become China's third biggest trade partner. From 1979 to 1985, the bilateral trade volume between the United States and China accumulated to U.S. \$35.3 billion. Great changes have also taken place in the bilateral import and export trade structure. China's imports from the United States have shifted from farm products and raw materials to mechanical, electric, and instrumental products and some other technological products. From a long-term point of view, there is great potential in the Sino-U.S. bilateral trade. In the economic and trade cooperation projects now under discussion between the two sides, there are many important industrial projects, including sea oil, coal mine, hydropower, telecommunications, aviation, the extraction and utilization of non-ferrous metals, and so on.

However, attention should be paid to the rise of protectionism in the U.S. Congress regarding Sino-U.S. trade. This threatens the expansion of China's exports to the United States. China is carrying out the policy of opening up and has adopted a series of measures to encourage Sino-foreign economic and technological cooperation and investment cooperation so as to have provided good conditions for the development of the Sino-U.S. economic and trade relations. However, the scope and volume of the bilateral trade will also depend on whether China's exports to the United States can steadily increase or not.

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## FOREIGN TRADE AND INVESTMENT

### HUNAN CEMENTS TRADE TIES WITH COLORADO

HK240338 Beijing CHINA DAILY in English 24 May 86 p 2

[Article by correspondent Rosie Wu]

[Text] New York--At a high-tech conference held this week in Denver, Colorado, three Chinese entities are present. One delegation is from Colorado's sister province Hunan, while the other two are from the Ministry of Astronautics and the Huaxiang Industry Corporation based in Changsha.

The Chinese will visit high-tech companies and installations in the state and examine the possibility of expanding business, state officials said.

Two weeks ago, a conference on trade and investment opportunities in China was held in Denver, sponsored by the state. Business executives from 150 companies attended the conference and listened to a speech given by Chinese Ambassador Han Xu.

In June, the governor of Hunan, Colorado's sister province for the past three years, will pay a visit to Colorado, exploring ways to further develop business and cultural relationships between the two.

In September, Colorado School of Mines and six Colorado companies will participate in the Mining China '86 Trade Show to be held in Beijing. They will exhibit surface and subsurface mining equipment for coal and hard rock minerals, and electrical, communications, medical and transport equipment for mine operations.

A state of 3 million people, Colorado has a group of very active businessmen and state officials committed to the long-term relationship with China, Lieutenant Governor Nancy Dick declared.

Dick has just returned from her fifth visit to China. Three years ago, she signed the Colorado-Hunan Sister State Agreement following a successful industrial conference between the province and the state. Last September, she headed a large trade delegation from Colorado, touring Beijing, Shanghai, Changsha and Guangzhou.

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## FOREIGN TRADE AND INVESTMENT

### CLANDESTINE RADIO SAYS YAO TRIP FAILS TO SOLVE PROBLEMS

OW260410 (Clandestine) Ba-Yi Radio in Mandarin to China 1215 GMT 24 May 86

[Text] During his negotiations in the United States, Vice Premier Yao Yilin failed to solve problems, including China's huge trade deficit with the United States. As pointed out by Comrade Yao Yilin, China's trade deficit has already exceeded \$15 billion since 1972, and is growing. The imbalance has been caused primarily by the unfair situation in Sino-U.S. trade.

As is known by all, China bought from the United States large numbers of combine harvesters, much mining and oil refinery equipment, civilian aircraft, locomotives, motor vehicles, special instruments for scientific research, and computers. These goods were sold to us at high prices, which have continued to rise. At the same time, we exported to the United States petroleum, petrochemical products, textile goods, garments, toys, sporting goods, tableware, vegetables, and fruits. The prices of these products are relatively low on the international market; the prices of petroleum and petrochemical products especially have dropped continuously. Moreover, the Americans recently scrapped a previously signed agreement in an effort to renew the restrictions on Chinese textile and garment exporters to the United States. The low prices of our exports and restrictions on them will inevitably lead to a continuous increase in our trade deficits with the United States. According to estimates, China's trade deficits with the United States will increase by \$1 billion this year.

During his negotiations, Comrade Yao Yilin asked the U.S. side to give a fair price for Chinese commodities. But the Americans avoided a settlement of this problem, which has a serious impact on China. Here, it is necessary to mention the trade between the United States and the Kuomintang authorities. Currently Taiwan ranks sixth and enjoys a favorable balance in U.S. foreign trade. It has a trade surplus of \$10 billion. Obviously the United States is pursuing a two-China policy in its trade with us and Taiwan.

Another longstanding problem in Sino-U.S. trade is the United States' downright refusal to sell us sophisticated technology and equipment. Fearing that we will be able to manufacture such advanced machines and equipment by ourselves, the Americans have refused to supply us even with

spare parts for the machinery and equipment we bought. Needless to say, they want to make us rely on their finished products and spare parts for the next few years so that they can control the prices and reap more profits for a long time to come.

In short, the outcome of Vice Premier Yao Yilin's negotiations in the United States has once again proven that the U.S. imperialists have no intention whatsoever to establish equal and mutually beneficial trade relations with us. They have always put their selfish gains above anything else and done everything possible to exploit the people of other countries.

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## FOREIGN TRADE AND INVESTMENT

### BRIEFS

SICHUAN-HONG KONG COOPERATION--Hong Kong, 23 Apr (XINHUA)--Shu Hui [5771 6540] Industrial Company, an enterprise mainly devoted to developing and producing microwave communications technology and equipment, opened for business in Hong Kong on 22 April. It was jointly established by Xin Guang Industrial Import and Export Company from Sichuan Province and Hou Tian (International) Company of Hong Kong. The purpose of the establishment of the company is to absorb foreign capital and import advanced equipment in order to speed up development and production of microwave communications equipment suitable for use in China's rural areas. The company will also be used as a showcase to increase the export of commercial products made by military industrial enterprises in Sichuan Province. [Summary] [Beijing XINHUA Domestic Service in Chinese 1426 GMT 22 April 86 OW] /12640

XINJIANG INTERNATIONAL TRADE LINKS--Urumqi, May 28 (XINHUA)--Xinjiang Uygur Autonomous Region plans to expand its trade with the Soviet Union and Eastern Europe during the 1986-1990 period, deputies to the region's ongoing people's congress have decided. During the period, Xinjiang will also try to develop trade with West Asian, Arabian and Southeast Asian countries while increasing commerce with Japan, the United States, Western Europe, Hong Kong and Macao. Located in northwest China, the region borders on Afghanistan, India, Mongolia, Pakistan, and the Soviet Union. According to local officials, Xinjiang has established trade relations with more than 50 countries and regions. Between 1981 and 1985, its foreign trade totaled 814 million yuan, a ninefold increase over the previous five years. According to the region's development plan, Xinjiang's foreign trade volume in 1990 will reach 500 million U.S. dollars, a 60 percent increase over 1985. For this year, it plans to increase its trade volume to 323 million U.S. dollars, up 10.6 from last year. Major exports include carpets and raw cotton and cotton yarn and cloth. A railroad under construction in Xinjiang will be linked with the Soviet Union by 1990 and work upgrading the road to Pakistan has been accelerated. [Text] [Beijing XINHUA in English 1525 GMT 28 May 86 OW] /6662

BUSINESS WITH KUWAIT, TUNISIA--Beijing, May 28 (XINHUA)--China, Kuwait and Tunisia are to set up the China-Arab Chemical Fertilizers Company (SACF) in the port city of Qinhuangdao in Hebei Province. State Councillor Zhang Jingfu met today entrepreneurs from the three countries, who attended the SACF's second board meeting of 1986 held in Qinhuangdao May 26. Zhang wished them success in their cooperative efforts and hoped that the company would be a good example for South-South cooperation. Among those attending the meeting were Al Nouri, chairman and managing director of the Petrol Chemicals Industry of Kuwait, and B. Aouni, chairman and president of the company of phosphoric acid and fertilizer. [Text] [Beijing XINHUA in English 1409 GMT 28 May 86 OW] /6662

## SPECIAL ECONOMIC ZONES

### SEZ ENTERPRISES FORGE AHEAD IN TECH TRANSFER, ABSORPTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 1 Feb 86 p 1

[By correspondents Ji Honggeng [6060 3126 6342] and Huang Jichang [7806 7139 2490]: "The Special Economic Zones [SEZs] Unswervingly Develop Outward-Oriented Economies; They Have Started Large Numbers of Small-Scale, Light-Industry, Astute New Enterprises, Energetically Engaging in Joint Investments With Other Domestic Departments and in Imports From Abroad"]

[Text] The four SEZs in China valiantly exert themselves in the arduous struggle along the road of developing their outward-oriented economies, a field in which several advanced enterprises are now groping their way along, testingly, and are already reaping their first results.

The operation of "small-scale, light-industry, astute, new" enterprises. The idea of several units which newly established themselves at Shenzhen is to set up small-scale, light-industry, astute new enterprises. Some factories have only a score of or 100 to 200 employees. The Shenzhen Joint Company of the China Abrasive Wheel Factory No 2 is such a "little sparrow," which is laying "golden eggs" after only 1 year in existence. Its annual production is 1.5 million high-speed cutting wheels and "cymbal-shaped" abrasive wheels, which enjoy a good reputation overseas. The Hansheng Special Wire Corporation in the Zhuhai SEZ also can offer several specialties: they are "new," because they are technologically new and new as regards some of their items of production, all manufactured with advanced equipment. The quality of their "Panda" brand 75-ohm special feeder cables for television sets is superior to products from neighboring countries. It is a "small-scale" enterprise because it employs only 40 persons, had to spend only \$26,000 for the importation of its equipment and required only half a year from its planning stage to actual production. It is an "astute" enterprise because it relied only on its own ability to absorb its imported equipment and technology, and was successful in its first test production and in introducing its products into the international market. Among the 45 industrial enterprises which up to the beginning of this year went into production in the Shantou SEZ, the larger ones are employing somewhat over 100 persons, the smaller ones only 40 to 50 persons.

Economic cooperation with the other departments and enterprises in the hinterland and importation from abroad; increasing values and exporting of

goods. Enterprises that have been successful have become so by concentrating their efforts on combining economic cooperation with other departments and enterprises in the hinterland with their importations from abroad. One economic entity at Shenzhen, the Hualian Textile Corporation ( "Huasi"), showed an integration of industry with trade, as it was organized by the Ministry of Textile Industry and the China International Trust and Investment Corporation, with joint investments from the textile departments of 18 provinces and municipalities. This company has built, or is in the process of building, 14 plants for spinning and weaving, printing and dyeing, knitting and for the manufacture of garments, primarily using semifinished and primary products of the interior, improving them by quality processing and quality packaging in Shenzhen, i.e. "dressing them up," and then marketing the products in the international market. The No 1 Cotton Mill of the company uses a most advanced air-current yarn production line, which increased work efficiency 4-fold; all its products are exported and it enjoys an excellent reputation overseas. They also imported advanced technologies and equipment from abroad for printing and dyeing and are processing the unfinished silk supplied from Zhejiang by printing and turning the material into multicolored silks, some being made up into garments, and the entire production being exported. According to revised calculations, the processing of the unfinished silk by printing and dyeing and turning the silk into multicolored material can increase the value of the goods by more than 40 percent; working the material into garments can increase the value by 120 to 150 percent. Overseas customers warmly welcome these products. The Marine Products Development Co. of Shantou not only engages in aquatic breeding but also more and more in intensive processing, refrigerating, etc. They imported a fully automatic production line for barbecued eel, which on going into production can annually create 4.8 million yuan of foreign exchange.

Harmonious combination of Chinese and Western elements in pursuing practical and realistic projects. Some enterprises in the SEZs lay particular emphasis on using the most modern technologies in the manufacture of new products. Other enterprises prefer the use of advanced technologies and equipment to develop traditional industrial products. Others, again, concentrate their efforts on developing from lower to higher levels of production with a harmonious combination of Chinese and Western elements. The Huasheng Magnetic Tape Factory of Wanzhai in the Zhuhai area is a township enterprise, which 3 years ago employed only 6 persons, had a factory of 16 square meters and only simple and crude equipment. Its annual production had a value of not quite 200,000 yuan. In recent years, they made good use of information from the international market, employed their retainable foreign exchange and a bank loan to import advanced equipment from Japan, the United States, Italy and other countries to build up a complete production line for plastics injection molding, coating, tape cutting, assembly, multiple recording and right down to tape testing. In cooperation with Chinese scientific research units, they developed a testing tape of the HCD box type and two other items, which are selling well domestically and abroad. By now the said factory has built a 5,000 square meter industrial building of seven stories. The value of its annual production is in excess of 30 million yuan, with over 2 million yuan annual profits and creating more than 10 million Hong Kong dollars in fore



exchange. People in the neighborhood are apt to boast: "The little worm of Wanzhai has grown into a large dragon with power to overturn rivers and stir up the sea!"

"Only by going in for an outward-oriented economy can there be vitality in the SEZ." This is what many highly placed persons in the business community say. As to the 29 enterprises under the "China Aviation Industry and Trade Center," set up at Shenzhen by the Ministry of Aeronautics, 80 percent of their last year's production was exported for sale abroad. They paid several million yuan tax during the first three quarters of last year. In the Shekou industrial district, the value of industrial products exported annually over the last 3 years was more than half of the total value of industrial products exported from the entire SEZ, reaching 75 percent last year. By now more than 100 industrial products manufactured at Shekou have entered the international market, and Shekou has had a surplus in its foreign exchange balance consecutively during the last 3 years. The accomplishments of the Shekou industrial district reveal the splendid prospects for the development of any "outward-oriented" economy.

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## SPECIAL ECONOMIC ZONES

### RENMIN RIBAO SEES GOOD RESULTS AT SHANTOU SEZ

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Feb 86 p 3

[By correspondents Yang Zhicui [2799 0037 3862], Sun Guolin [1327 0948 3829], Wang Ruizhong [3769 3843 1813] and Zheng Ruiguo [6774 3843 0948]: "Open Up One Sector, Build Up One Sector, Put One Sector Into Operation, Reap Profits From That Sector; Good Results at the Shantou Special Economic Zone [SEZ] As It Pushes Developments to the Utmost of Its Abilities; Major Portion of Light Industry and Agricultural Products Sold in the International Market"]

[Text] The Shantou SEZ in Guangdong Province persists in doing its utmost on the principle of opening up one sector, building up one sector, putting one sector into production and reaping profits from that sector; it does very solid constructive work, and the results are very good.

During the more than 4 years of its development, the Shantou SEZ derived most of its capital from foreign investments, its production was mainly industrial and agricultural and most of its products were destined for export. It took the initial steps to develop an outward-oriented economy. The products of its light industry, such as plastic products, garments, electronic toys, carpets, furniture, imitation antique ceramics and imitation jewelry, are to 60 percent being sold in the international market. Agricultural products, such as eel fingerlings, full-grown eels, snake products, wild animals, vegetables, fruits, prawns and green crabs are to 96 percent being exported. The total value realized by the SEZ last year from its industry and agriculture was more than 4 times the amount for 1984. These products created over \$40 million in foreign exchange, 10 times the amount for 1984.

In its negotiations with foreign businessmen, the Shantou SEZ made it a major condition for acceptability of the projects whether the products can be exported and whether a foreign exchange balance can be achieved. Up to the end of January this year, contracts have been signed and industrial and commercial registration has been effected for a total of 248 enterprises, representing an investment of over 1.99 billion Hong Kong dollars. Of these enterprises, 61 were Chinese-foreign joint ventures, joint management enterprises and foreign-financed enterprises, with a total investment of \$540 million Hong Kong dollars. The more than 10 factories that had been set up as the first lot in the Longhu industrial district, such as the Fensheng, Huayi carpet and other factories, are all foreign-financed or Chinese-foreign joint

ventures. The first lot of agricultural projects are aquatic breeding farms developed jointly with foreign businessmen. The first lot of commercial and tourist network outlets are the Longhu Market, the Longhu Hotel and other such projects developed as Chinese-foreign joint venture or cooperatively managed enterprises. Much foreign investment also went into communications, transportation, real estate and other such undertakings. In 1984 the Baolong Co. of Hong Kong established the self-financed "Jinlong Weaving, Dyeing and Garment Co., Ltd." in the SEZ, which achieved good profits. The said company then again cooperated with the SEZ in 1985 in setting up the joint "Huabao Garment Co." venture on an even larger scale than "Jinlong," importing a whole production line for the manufacture of foreign clothes, which are being sold as far away as Europe and the United States. The area occupied by toy factories solely financed by Hong Kong businessmen has expanded from the original 1,000 square meters to 3,000 square meters. Demand exceeds supply of new products from the Zhengda Kangdi Feed Processing Plant, set up with investments from Thailand and the United States; this plant too is considering an expansion of its production.

For several years, the SEZ has invested 70 percent of its limited capital funds into items of the infrastructure with developmental and production potential, such as energy sources, transport facilities and communications and built up successively a special transformer station of 110 kilovolt-ampere, a special wharf for 3,000-ton vessels, and purchased three small-scale cargo vessels and one luxury passenger boat. Also completed is Shantou's 1,500-line telephone link with Hong Kong. By far most of the completed engineering projects, or those in the process of construction, are buildings to house industrial factories, and a small portion are installations for the livelihood of the people, such as residential buildings.

This year, the Shantou SEZ will continue to devote efforts to the building and expansion of items of the infrastructure, while at the same time making development of industry its key concern, actively importing foreign capital and expanding its capacity to export and create foreign exchange. Items of this year's capital construction are: development of its 0.2 square kilometer wide third subdivision; construction of the main thoroughfare of the SEZ, the 8kilometer long third section of Jinsha East Road; continued construction of 3 general factory buildings and the new construction of 4 plants for the processing of agricultural and sideline products; the building up of a financial and commercial district with such buildings as a commodity building of 12 stories, a commodity purchasing center of 16 stories, a market of 6 stories and a finance and banking building; construction of a feed processing plant with an annual capacity of 2,500 tons, and construction of a rare-earth processing plant.

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## SPECIAL ECONOMIC ZONES

### SHEKOU INDUSTRIAL ZONE SUFFERS ECONOMIC SETBACK

HK060723 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 6 May 86 p 1

[By Olivia Sin]

[Text] Shekou Industrial Zone suffered a setback in the pace of foreign investment in the first quarter of this year, partly because of China's measures to tighten control over its economy.

A vice-chairman of Shekou's administrative committee, Wang Jingui, said the zone had sealed fewer than 10 agreements with businessmen in the first three months, only half the number in the same period last year.

But he said the slowing down of development may have provided a welcome breathing-space for Shekou, which has undergone hectic expansion over the past five years.

The 10 sq km zone, to the west of Shenzhen, is being developed by state-owned China Merchants Steam Navigation Co (CMSN), a commercial arm of the Ministry of Communications.

Mr Wang said Beijing's recent squeeze on credits has rendered it more difficult to obtain funding for new projects.

Worse still, China's new export controls have prolonged the approval procedures for setting up export-oriented industries in Shekou.

In a bid to curb parallel trading, China expanded its export control scheme to cover 235 items in February.

That means foreign investors setting up factories in China to produce goods for export are also required to apply for licenses.

It used to take about a month to obtain approval for new projects; it now can take as much as six months, Mr Wang said.

The fact Beijing has called for a break on capital investment throughout the country has also slowed the development of Shekou's infrastructure and the pace of foreign investment.

Mr Wang disclosed the turn of events at a reception in Hong Kong yesterday to attract foreign interest in the industrial zone.

Hundreds of diplomats and Hong Kong Government officials were invited to the event, which included the showing of a 30-minute film depicting Shekou's development.

Mr Wang also admitted that the slide in oil prices and fall-off in drilling activities in the South China Sea had adversely affected Shekou, a logistics base for China's offshore oil programme.

The luxury Nanhai Hotel in Shekou, built to capitalise on the oil activities, has reported only 30 to 40 percent occupancy on weekdays.

Tourists visiting the zone during the weekend have helped fill up the hotel, a joint venture involving Hong Kong and Shanghai Bank, [word indistinct] and the Miramar Hotel.

"We believe that the number of oilmen staying in Shekou will increase after the typhoon season," said Mr Wang. Oil companies normally suspended operations during the typhoon months to avoid accidents.

The suspension may be longer this year than last, however, because the falling oil price has forced operators to either trim or postpone exploration plans.

Up to the end of last year, Shekou had concluded 206 agreements with foreign investors, worth a total of HK\$2.6 billion.

About half of these agreements were for industrial projects, including manufacture of electronics, furniture, toys and aluminium plate. The rest were related to commerce, tourism and other service industries.

Mr Wang said 150 projects, including industrial ones, had so far started operation in the zone.

He said Shekou's total industrial output reached 800 million yuan (about HK\$2 billion) last year, of which 70 percent was destined for export.

Analysts attending yesterday's reception were sceptical, however. "I think the 800 million yuan figure is a bit too much for Shekou in view of its emphasis on light industries and its comparatively low technical skill," one said.

Mr Wang said that like the Shenzhen Special Economic Zone, Shekou had received support from various industrial ministries, some of which have decided to invest in Shekou.

The zone is close to the port facilities in Chiwan and Wuwan, both of which can accommodate vessels of between 10,000 and 20,000 tons.

About 300 million yuan is to be devoted to capital investment this year--an amount similar to last year's level.



## LABOR AND WAGES

### WAGE DISSATISFACTION CREATES ADMINISTRATIVE PRESSURES

Shanghai SHIJIE JINGJI DAobao [WORLD ECONOMIC HERALD] in Chinese 24 Mar 86 p 14

[Article by Huang Jian [7806 0256]: "Measures Must Be Taken To Resist Wage Pressure"]

[Text] Starting with the revival of the bonus system, enterprises have been tackling wage reform for 7 or 8 years. By 1985, 10 million workers in state-owned enterprises were governed by a system tying wages to economic efficiency. The system is almost universally praised. Meanwhile, a mood of dissatisfaction with wages is also spreading and gaining momentum, gradually forming a form of social pressure that cannot be underestimated. This dissatisfaction is largely responsible for driving up wages and consumption funds.

As an expression of social expectation, wage dissatisfaction is not hard to understand. But it becomes an abnormality or a disease if it does not fall in line with gains in national income and productivity and exceeds the amount of goods and materials social productive forces and finite resources can produce. According to relevant data, total wages in China shot up 20 percent annually in 1984-85, while national income, labor productivity and agricultural and light industrial output value, which represents consumer goods production, averaged 11, 8 and 12 percent, respectively. This shows that wage increases have been overly rapid in the last couple of years and must be checked. Paradoxically, despite the large sums of money which have been paid out in wages and the substantial improvement in living standard, people are becoming more and more unhappy with what they earn. They feel that they are now working harder but getting less and that the government has given them a raw deal. Even more serious, this dissatisfaction is putting immense pressure on wages and has become both a source and a psychological basis for wage inflation, vastly complicating the effort to hold down consumption funds.

Wage dissatisfaction is caused by many reasons, most important of which is that some people have fared much better than others under the distribution system. First, there is distribution inequity among individual members of society. It is true that among people who now earn significantly more than others are some very hardworking individuals who over-fulfill quotas and are therefore paid extra. But there are also those who enrich themselves not

through diligence but by taking advantage of preferential policies of the state and exploiting the loopholes created by the two kinds of prices. Yet others break the law, violate discipline and "turn reform into a windfall" for themselves: they engage in speculation and profiteering, go into business by abusing their official position and set up front companies. Second, there is distribution inequity among enterprises. Some industries or enterprises offer relatively high wages not solely because they are profitable but because they have been favored by a certain policy. For instance, enterprises selected to experiment with the system of pegging wages to profits and taxes pay their workers about 15 yuan more each person each month than other units.

Distribution inequity is a temporary phenomenon in the course of reform. Basically speaking, our aim is to establish and perfect distribution according to work. However, our occasional failure to adjust certain policies promptly has given rise to this misconception in the public mind, that the present situation is our reform goal and is what we intend to do in future. As a result, people have become bewildered and disaffected. Clearly this trend of disaffection is highly dangerous.

First and mostly directly affected by the mood of wage discontent were enterprises. Ultimately it was also enterprises which opened the floodgate of wage increase. Under the old economic system, wage levels were set by a rigid command planning system. Worker dissatisfaction with wages was stifled through a lack of communications channels. Nowadays, however, enterprises have become more autonomous in the use of funds. For instance, after paying taxes, they are allowed to take a percentage of profits and it is within their power to divert various funds toward the pool of money for bonuses. Their power to sell part of the products on their own makes it possible for them to jack up prices arbitrarily, to profiteer and to give out bonuses at random. The establishment of labor service companies and joint urban-rural ventures also enables state-owned enterprises to channel funds and profits into collective units for distribution as bonuses.

Under the old economic system, administrative control by local governments and departments constituted another hurdle to wage increase. But local governments and departments these days take an attitude of sympathy, understanding and tacit approval toward the wage malcontents, faced as they are with wage pressures and anxious to mobilize production initiative, show off their results and obtain more support from their subordinates.

Taking into account a variety of factors, the state has yielded to the powerful wage pressures converging from across the country and been forced to take a number of irregular temporary actions such as recognizing unreasonable facts accomplis, raising the starting point for bonus tax and adjusting the wage base. At a time when many distribution relations have not been straightened out, these temporary measures have further fanned the flames of wage dissatisfaction. As enterprises, regions and sectors each try to keep up with the others, wages spiral and a vicious circle of wage dissatisfaction-wage pressure-wage inflation came into being.

It is not only necessary but also possible to steer the social feeling of wage discontent into constructive channels. Under socialism, labor is the only way

to satisfy consumption. Basically, wage dissatisfaction can be through production development and a policy that enables everyone to rich together. Under socialism, which follows the principle of "to each according to his ability, to each according to his work", the more you earn, the less you do, the less you earn and the less you shall not eat. This way people's desire for higher wages are closely integrated with labor and the concept of the wage is transformed into one of labor, thus stimulating the development of productive forces and satisfying man's ever-rising material and spiritual needs. What results is a mechanism whereby production and consumption regulate and promote each other. This is one of the basic goals of the restructuring of China's economic system.

At present, we must first ameliorate the most glaring conflicts and sort out distribution relations. We should take these major measures: 1) Levy a personal income tax on industrial and commercial households with excessively high incomes. At the same time we must make plans for the collection of Property tax and inheritance tax to close the gaps between individual members of society. 2) Carry out in a small number of enterprises a pilot project tying wages to economic efficiency. The project should be implemented systematically and in a targeted way. Further efforts should be made to perfect evaluation criteria, adjust the coefficient at which wages and efficiency are related to each other and rectify inter-industry and inter-enterprise income disparities resulting from different external conditions and unequal opportunities. 3) Within an enterprise, the size of authorized personnel must be clearly established and wage distribution must be put on a more scientific basis by evaluating labor in strict accordance with technical ranking.

Apart from gradually putting together a regular promotion and wage adjustment system, enterprises must make full use of bonuses.

Second, the scope of control must be expanded and administrative management strengthened. Among the most important steps are these: 1) Even as we continue to curb basic wage increases as planned, we must intensify control on bonuses, especially assorted subsidies, allowances and welfare payments. A sound tax system should be worked out for the extra-budgetary income of scientific research units, social organizations, newly built tertiary industries and products sold by the enterprises themselves. Loopholes in the books must be plugged to remove the temptation to wrongdoing. 2) Wage management must be tightened. A strict distinction must be made between basic wages and floating wages, on the one hand, and bonuses, on the other. The former must be paid monthly, while the latter must be controlled in advance instead of demanding an accounting after the event. The percentage of profits that an enterprise is allowed to keep after taxes must be strictly controlled. Special funds must be used for the specified purposes. 3) Wage management should be made a crucial part of the evaluation of the performance of managers and directors at all levels. It should also be related to their economic results. In addition, comprehensive measures must be stepped up.

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## TRANSPORTATION

### NORTHEAST INTEGRATED TRANSPORT NETWORK ENVISAGED

OW040748 Beijing XINHUA in English 0721 GMT 4 May 86

[Text] Shenyang, 3 April (XINHUA)--An integrated land, water and air transport network with state-owned railways as the backbone will be developed in northeast China by the turn of the century, an official in charge of local transport said here today.

In an interview with XINHUA, Wang You said the construction of the network will serve the northeast China economic zone, the setting up of which was approved by the central government in 1985.

Covering Liaoning, Jilin and Heilongjiang Provinces and the eastern part of the Inner Mongolia Autonomous Region, the zone produces half of China's petroleum, iron, steel and timber, and a considerable amount of its coal, nonferrous metals, soda ash, automobiles and grain.

To accelerate the network construction, he said, provinces are encouraged to join the state in running transportation systems.

Liaoning and Jilin have purchased 13 freighters of 3,000 dwt each, and two railways being built by Heilongjiang and Liaoning will go into operation this year.

Three of the seven airports being renovated with joint investment from the local authorities and the civil aviation administration of China, have already gone into service. Heilongjiang has ordered three Tu-154 passenger planes from the Soviet Union for its planned aviation company.

In order to break down regional barriers, a company has been established to coordinate transport in the zone.

The railways have merged five administrations into two to facilitate train dispatch and management.

Trunk lines will be double-tracked and routes for coal transport renovated.

Short-distance cargo, estimated at eight million tons a year, is now transported by road instead of by rail, Wang You said.

In the meantime, a number of harbors are being built or renovated.

## TRANSPORTATION

### REPORTAGE ON GUANGDONG GOVERNORS REPORT TO PEOPLE'S CONGRESS

#### Reviews Transportation, Telecommunications Progress

HK240622 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 22 May 86

[Text] In his report to the fifth session of the Sixth Provincial People's Congress, Governor Ye Xuanping said that during the Sixth 5-Year Plan period, the province made rapid progress in transportation and telecommunications so that a new situation has now appeared in the province's transportation and telecommunications.

Ye Xuanping said that during the Sixth 5-Year Plan period, the province completed railway transportation projects of 297.5 kilometers on the second Hanyang-Guangzhou railway line, the Sanshui-Maomin railway line, and the second Guangzhou-Shenzhen railway line; built 2,348 kilometers of provincial grade highway; and built or revamped 490 permanent bridges, of which 45 are longer than 100 meters. Most major highways in the province have no ferry points and are open to traffic. Some 146,000 in-city telephones were installed in the province during the period. The Beijing-Wuhan-Guangzhou medium co-axis telecommunications cable and the eastern Guangdong-Western Guangdong-Hainan Island microwave telecommunications line have been put into operation. Some 36 counties and cities in the province now have direct telephone service with Hong Kong. The improvement the province made in telecommunications capability during the past 5 years exceeds that in the preceding 30 years. The province has initially established a telephone telecommunications service network with Guangzhou as its center and extended to major cities in the country and major cities and counties in the province and to Hong Kong, Macao, the United States, Japan, and other major international cities.

#### Assesses Seventh 5-Year Plan Growth

HK240311 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 23 May 86

[Text] Governor Ye Xuanping pointed out in his report on the draft of the province's seventh 5-year plan that the province's industrial and agricultural output value is planned to rise at an annual rate of 9 percent during the period of the plan. This is a bit higher than the national average growth but lower than the province's sixth 5-year plan growth rate.



He said: In stipulating this growth rate, we are taking into account the necessity to create an excellent and relaxed environment for structural reform during the seventh 5-year plan and to avoid excessive tension in the economic relations. The province's economy should thus develop in proportion, with good economic results.

On the question of the scale and structure of investment, Ye Xuanping said that the province's capital construction during the seventh 5-year plan will show some increase compared with the sixth. However, it is necessary to readjust the investment structure. We must focus on ensuring electric power construction, and appropriately increase investment in communications, telecommunications, agriculture, science and technology, education, and the raw materials industries. Sources of investment for other projects should be solved through relying on a variety of channels such as the enterprises' own capital, local raising of funds, bank loans, and the use of foreign investment.

#### Stresses Continued Reform, Opening Up

HK240659 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 24 May 86

[Text] Governor Ye Xuanping stressed in his report to the Provincial People's Congress session that Guangdong must continue to persevere in the policy of reform and opening up during the seventh 5-year plan. He said that the main aspects of reform during this period include further invigorating the enterprises, especially large and medium enterprises owned by the whole people and exporting enterprises; vigorously promoting lateral economic ties; establishing and perfecting a socialist commodity market setup; establishing a new socialist macroeconomic management system; and carrying out associated reforms in science, technology, and education while grasping economic structural reforms.

Ye Xuanping said: The main contents of the province's policy of opening up to the world include further improving the construction of the open coastal areas; expanding foreign economic relations, trade, and technological cooperation; actively and efficiently using foreign capital to import advanced technology; actively developing tourism; continuing to encourage overseas Chinese and Hong Kong and Macao compatriots to invest in the interior; and resolutely protecting the legitimate rights of overseas Chinese.

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## TRANSPORTATION

### GUANGZHOU'S TRAFFIC JAMS: REASONS GIVEN, SOLUTIONS PROPOSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 5, Sep-Oct 85 pp 17-18

[Article by Liu Yongjie [0491 3057 2638]: "Guangzhou Municipal Economic Research Institute: "What is the Crux of the Traffic Jam Problem?"]

Traffic jams have become more and more of a nuisance in downtown Guangzhou, and problems in traveling, in using public transportation and in finding a parking place have become increasingly difficult. Statistics show that between 1950 and 1984 the total length of city streets in Guangzhou increased from 288 kms to 400 kms, an increase of no more than 39.2 percent while the number of motor vehicles increased from 1,215 to 98,000 and the number of non-motorized vehicles rose from 32,000 to 1.5 million in an 81 fold and a 44.4 fold increase respectively. As a result of the increasingly sharp contradiction resulting from the lack of roads and the meteoric increase in the number of vehicles using them, traffic accidents increased. In 1984, there were 2,908 traffic accidents in downtown Guangzhou, a 23.1 percent increase over 1983, in which 1,399 people were hurt, 179 killed, and losses amounted to 1.8 million yuan. In addition, the economic losses resulting from traffic jams and the slow speed of vehicles has been startling. It has been estimated that the average speed of motorized vehicles in downtown Guangzhou has decreased from 20 kms per hour in 1965 to 12 kms per hour at the present time. Losses from this situation alone amount to the carrying capacity of 6,700 vehicles and losses of 200 million yuan per year. Clearly, solution to traffic jams has become an extremely pressing matter in the building of Guangzhou.

The urban traffic control problem is a multi-faceted issue involving many disciplines that has very wide ramifications. It is limited by many factors including the nature of the city, its function, population, geography and layout. These factors are interactive and overlapping, making urban traffic problems more intricate. Downtown Guangzhou is one of the areas in the country with the densest urban population. Nearly 2 million people live in only 54.4 square kms for a density of 40,000 per square km. Furthermore, downtown Guangzhou straddles both banks of the Zhu Jiang dividing the area into three areas: Hopak, Honam and Fongchuen. This constitutes an "inherent shortcoming" for a rational pattern of urban traffic and for channeling and controlling it. But, the main reason for the worsening of traffic in downtown Guangzhou remains "acquired dislocations," which is to say it is man

made. This is manifested largely in three key problems: failure over a long period in investment, planning, and management.

1. Insufficient investment over a long period of time and improper proportional allocations are the root causes for the traffic jams in downtown Guangzhou. Transportation is the artery of a great urban system that functions to take in, send out and move along traffic. Experience in foreign countries has shown that the building of highly effective urban economies is inextricably related to highly effective urban transportation. Yet, for a long time, we have not genuinely understood this point; we have devoted attention to industrial production while overlooking development of basic urban facilities.

First of all, investment in urban construction has been curtailed for a long time. The total invested in state-owned capital construction in Guangzhou between 1950 and 1983 was 11.352 billion yuan, but 801 million yuan, or only 7 percent, was used for urban construction. This included the lowest percentage invested during the Fourth 5-year Plan at only 4.94 percent. The reason was that from 1967 forward, Guangzhou City no longer withheld 5 percent from the profits of industrial and business enterprises. As a result, urban construction funds declined from somewhat more than 40 million yuan per year to 20 million yuan per year leading to a severe shortage of funds for urban construction. The shortchanging of construction year after year made the burden increasingly heavier. Despite the revival in 1979 of 5 percent withholdings from the profits of industrial and business enterprises and an increase in expenditures by the city, because the amount of investment is too much in arrears, expenditures are a long way from being able to satisfy needs of urban development.

Second, the proportional allocations within investment in urban construction have not been correct. Investment in urban construction between 1950 and 1983 was 801 million yuan, including an investment of 139.9 million, or only 17.3 percent, in urban construction, for downtown streets and bridges. Investment in urban construction has increased in recent years, yet the investment in roads and bridges has still been no more than 20 million to 40 million yuan per year. In neighboring Hong Kong, meanwhile, investment in road construction during 1982 amounted to HK\$1.3 billion (approximately 480 million renminbi). This comparison shows clearly how miniscule Guangzhou's investment in roads and bridges has been.

Neglect of the development of public transportation has also been another major manifestation of the proportional imbalance in investment in urban construction in Guangzhou. Since liberation, downtown Guangzhou's population has shown a net increase of more than 1.3 million and passenger volume carried by public transportation has increased from 3.6 million to 1.02 billion per year in a 28.3 fold increase. But public buses and streetcars in the city have increased only approximately eightfold. In 1984, 15 new public transportation vehicles were purchased, but more than 60 old and dilapidated vehicles were taken out of service. As a result of too small an investment in public transportation, carrying capacity declined dramatically. Today, public transportation in the urban area carries an average 2.5 to 2.6 million passengers daily, the number exceeding 3 million on holidays. It is becoming

increasingly difficult to board public transportation, and this has stimulated, in turn, a blind increase in the number of bicycles which have added to the traffic burden on roads and brought about a vicious cycle.

Very clearly, at the heart of Guangzhou's traffic jams lies a failure of road construction to keep up with growth of the number of vehicles and the sudden spurt in traffic volume. Unless the percentage of investment is increased rapidly and construction of roads and traffic facilities accelerated, not only will it be impossible to reverse this situation, but traffic jams will ripple out from a part of the city to envelop the whole of it.

2. A mixture of people and vehicles cluttering the roads, numerous blockages along the streets, insufficient places to park vehicles and an irrational pattern of passenger transportation is the crux of Guangzhou's traffic jams.

Guangzhou's city streets are a conglomeration of various kinds of transportation, all sorts of vehicles mingling as they go along at different speeds getting in each other's way. On many roads today, there are no facilities for keeping various kinds of vehicles separate from each other. All kinds of motorized vehicles and non-motorized vehicles go along the streets in a jumble. There are no places set aside to park bicycles, so they are parked on sidewalks everywhere, forcing pedestrians to walk in the streets and fight with vehicles for the right of way. This greatly reduces the traffic capacity of the roads exacerbating an already hectic traffic situation.

Many obstacles on roads is yet another problem that produces headaches. There are about 70,000 individual street peddlers and more than 10,000 unlicensed street peddlers throughout the city today who offer their wares for sale as they please along the streets. In addition, there are more than 3,000 motor vehicles stopped here and there along the streets, seriously obstructing traffic. It has been estimated that construction work, peddlers and stopped vehicles occupy 25 percent of the total road area of the city.

Deserving of even greater attention is the irrational pattern of passenger transportation in the downtown area. As was said earlier, because of the slow increase in public transportation, the number of individual transportation devices has surged. In June 1982, there were 1.22 million bicycles in the downtown area; by the end of 1983, there were 1.4 million. In 1 1/2 years, the number of bicycles in the downtown area increased by 180,000, an average of 500 per day being licensed. Bicycles have become the leading mode of passenger transportation in Guangzhou outnumbering public transportation 3 to 1 in a very irrational pattern of transportation. Measurements show that a moving bicycle takes approximately 9 square meters of road space, while a moving bus carrying approximately 75 people takes 100 square meters of road space or an average 1.3 square meters per passenger. A person riding a bicycle takes up 6.9 times as much space as a person riding a bus. During rush hour in downtown Guangzhou today, there are no fewer than 250,000 bicycles on the streets at the same time. At this rate, bicycles take up a 2.25 millions square meter area, which equals the road area that would be occupied by 22,500 buses. In Guangzhou today, however, there are only slightly more than 1,500 buses. Were the number of bicycles restricted and half of the area occupied by bicycles turned over to buses, the problem of traffic jams on the roads would



be greatly improved. Viewed in long-range terms, then, bicycles are not the direction in which the city's transportation should develop; much less should bicycles become the mainstay of the passenger transportation system of a large city. They can serve only as an auxiliary mode of transportation.

3. Many alterations of city plans and a lack of a scientific layout have been major elements contributing to traffic jams in downtown Guangzhou that cannot be overlooked.

Cities are large complex systems in which people are the dominant element, and they are characterized by the utilization of space and have as their goal the gathering of economic benefits. They react slowly to changes in parameters; they stubbornly resist policy changes; and pressures to alter balanced relationships are cumulative and pent up in nature. Since these are the features of cities, the building of cities must have a clear cut urban system objective. With this objective, it then becomes possible under guidance of an overall urban plan to make a rational layout and to improve the downtown street transportation network. But, during the past more than 30 years, Guangzhou has been buffeted by "political winds" as a result of which its building programs have undergone seven separate changes, and overall urban plans have been changed along with them a total of 13 times. This has artificially caused the direction of Guangzhou's development and the pattern of its urban planning to waver back and forth irregularly. Though there are many reasons for today's traffic jams, unpredictability about the city's construction program and about city planning plus failure to complete individual areas in a fully rational way are also major reasons that cannot be ignored. We have failed for a long time to give sufficient attention to the full completion of living facilities in close in suburban industrial areas. Only 32 percent of employees have made their homes where they are employed while 68 percent continue to live in the downtown area. This causes traffic jams in Guangzhou during the morning and evening rush hours. In the residential tracts built in recent years on the fringes of the city, likewise only houses have been built with very few shopping areas being built. Large and small commercial centers are still concentrated in the old urban area. Reportedly, plans call for the construction of a commercial area in Guangzhou on Beijing Road. As everyone knows, Beijing Road is located in the most bustling part of Guangzhou. It is one of the areas in the city with the greatest vehicle and pedestrian density where transportation in every sector is already filled to fullest capacity. But jammed into this commercial area is to be a "colossus" made of one 53 storey and two 35 storey buildings. How is the flow of the the stream of people attracted to this site and the large volume of motorized and non-motorized vehicles to be solved? This is a problem that cannot be ignored; full consideration must be given to it during the initial period when construction is being planned. Dispersal of transportation sources and dispersal of urban population to improve the urban environment is the inevitable direction of development of large cities in the world today, and naturally this also provides beneficial lessons to be drawn on to solve Guangzhou's transportation problems.

4. A chaotic management system and antiquated management skills are also major reasons causing traffic jams in the Guangzhou urban area.

The maladies currently afflicting the transportation management system in Guangzhou are: "decentralization of government authority, many units exercising authority without dovetailing or proper coordination, each one acting independently and getting in each other's way." "Old grannies" in charge of transportation are numerous. There is the Public Security Bureau, the Transportation Bureau, the Public Utilities Bureau, the Municipal Government Administration and the Planning Bureau, plus the Transportation Safety Commission, the Communications and Transportation Directorate, the Office for the Overall Guidance of Transportation, and the Office for the Reconstitution of the City's Appearance and Environmental Sanitation---a total of more than 10 units. Were each to carry out its duties and do what it thinks best, strict enforcement of orders and prohibitions would be difficult indeed; however, the present state of management cannot be said to be satisfactory. Consequently, the founding of a centralized modern planning organization with a high degree of authority will brook no delay. The chaotic transportation management system must inevitably lead to antiquated management of transportation. Current transportation regulations are incomplete with many clauses having been formulated in the 1960's; they are no longer in keeping with the new situations and new problems that have arisen.

To turn around the serious traffic jams in Guangzhou, future efforts must be directed toward simultaneous dispersal of the cause of the jams, construction and management. Forces from all quarters has to be mobilized and action taken through scientific study, the building of roads, management of transportation, propaganda and education and improvement of the legal system to bring about comprehensive control so that Guangzhou's transportation situation will fundamentally change for the better within a not too long period of time to bring about a new situation of smooth flow, safety, high efficiency and good order.

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## TRANSPORTATION

### ELECTRIFICATION OF RAILROADS PROCEEDING IN SOUTHWEST

HK270709 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 23 May 86

[Excerpts] According to GUIYANG WANBAO, the electrification project of the Guiyang-Kunming, Hunan-Guizhou, and Sichuan-Guizhou railroads, listed as the country's priority project in the Seventh 5-Year Plan, is proceeding smoothly. The Guiyang-Kunming railroad is 639 km long.

By the end of 1985, the electrification of the 246 km of the section between Guizhou to Shuicheng (west) was completed. The electrification project of the 131.56 km between Shuicheng (west) and Fenghuangshan in the province is well under way. There are 14 stations in the project. Railroad track laying has been completed in 87 tunnels and earthwork has been completed in 6 stations so far. The electrification project of the section between Shuicheng (west) and Yunnan's Xuanwei is scheduled to be completed and put into service on 1 October 1987.

In the electrification project of the 902 km between Guiyang and Zhuzhou in the Hunan-Guizhou railroad, the section between Guiyang (south) and Kaili is about 170 km. There are 21 stations and 4 tractor substations in the section, of which 18 stations have completed technical transformation. The electrification project of the section between Guiyang and Kaili is scheduled to be completed on 1 July 1987.

In the electrification project of the 415 km between Guiyang and Chongqing of the Sichuan-Guizhou railroad, contractors have been decided for the section of the 292.6 kilometers between Guiyang and (Dongzhuhe). The No 2 railroad bureau will be responsible for the earthwork and [words indistinct] of the section between Guiyang and (Zaoshui). The bureau is now sending contractors to the site.

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## TRANSPORTATION

### BRIEFS

**HEILONGJIANG RIVER HARNESSSED**--Shenyang, 26 April (XINHUA)--The Heilongjiang River, one of the three-largest river systems in China, is playing an increasing role in solving the shortage of transport capacity in northeast China. During the Seventh 5-Year Plan which just started, the state will allocated 150 million yuan to improve river navigation in the region which produces abundant petroleum, timber, coal and grain, according to Zhao Dekui, deputy director of the River Navigation Administration, today. With nearly 2,000 tributaries, the river links Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region. Nearly half of the 19,000 km system allows passage of ships of at least 500 dwt. Now all 158 harbors and landing berths, including three harbors each with an annual cargo-handling capacity of more than one million tons, in the river system have been improved, and all the navigation lights electrified. Some three million tons of cargo was shipped along the river last year, as against only 210,000 tons in the early 1950s. At present, nearly 100 individuals are operating transportation services on the river, alongside the state-run transportation companies. [Text] [Beijing XINHUA in English 0648 GMT 26 Apr 86] /12640

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## CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

XINHUA: SOVIETS HOLD DISCUSSIONS ON ECONOMIC REFORM

OW300732 Beijing XINHUA in English 0705 GMT 30 Apr 86

["Round-up: Theoretical Discussions Explore Way for Soviet Economic Reforms (by correspondent Shen Yiming)"]--XINHUA headline]

[Text] Moscow, April 30 (XINHUA)-- Soviet theoreticians, holding reform-oriented discussions, believe that outmoded concepts must be discarded if the country's sluggish economy is to improve.

Observers say these discussions are proceeding in an "animated" way and in a seek-truth-from-facts approach. Most participants claim that the "dogmatism, stereotype and simplism" chains need to be shattered to pave the way for reforms.

The reforms are designed to speed up economic growth, which has been sluggish since the 1970's. Most planned targets set for the Soviet Union's last three five-year-plan periods covering 1971-1985 have not been met.

The correlation between productive forces and production relations is among the issues being discussed.

1. I. Abalkin, an economist, wrote in a recent article that production relations under socialist conditions will not hold forever and cannot be perfected through the development of productive forces. The decades-old theory, now dismissed as outmoded, maintains that production relations of socialist public ownership will be refined "spontaneously" as productive forces advance.

Production relations, Abalkin said, needed continuous perfecting--as demanded by the socialist economic law--to ensure the growth of productive forces.

Abalkin said that the "most profound cause" of the obviously negative phenomena emerging in the economy between the 1970's and the early 1980's was the contradiction between expanded productive forces and production relations, which have taken shape under the extensive management system.

Other people point out that the poor economic performance has been attributed solely to increasingly unfavorable conditions for acquiring raw materials, bad weather and flaws in planning. This fact, they say, serves as proof of the failure to recognize that production relations need continual refining, which is necessary for continued growth of productive forces.

More attention is being given to commodity-money relations, regarded as the antithesis of planning because commodities and money have been rejected as foundations for capitalist economies. Most Soviet economists believe that planning and commodity-money relations are inseparable. Only when planning is considered on the basis of that relationship can the economy become truly economic operations rather than administrative ones. The economists point to the need to make the entire system of commodity-money relationship function normally.

Most people insist that systematic formulation of prices and planned prices should have positive effects on consumption of social labor, lower production costs and improved production returns. How prices are determined should be through the consumption of social necessary labor.

The 27th Congress of the Soviet Communist Party held in late February and early March called for reviving the principles of the so-called "grain tax." This policy, introduced in the early 1920's, allows farmers to have grain surpluses at their disposal after they have sold obligatory products to the state. Economists say the policy can help invigorate the interflow of commodities between urban and rural areas and enhance farmers' enthusiasm for their work.

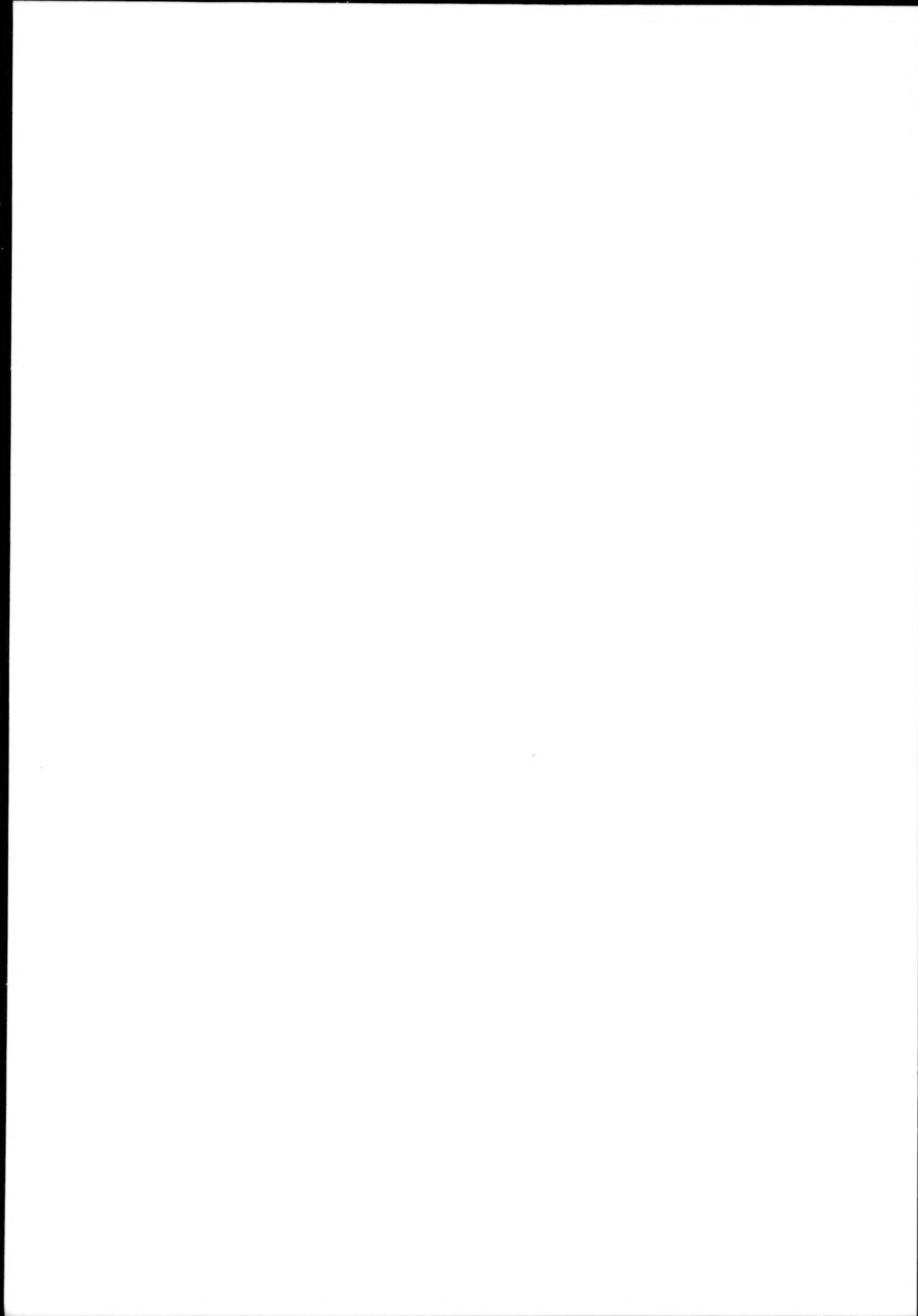
Economists also maintain that arguments saying the family and individual contract system is a non-socialist, backward management method should be repudiated. The contract system, they say, serves as a way of making workers' income levels directly dependent on work efficiency.

However, many reform skeptics harbor "more apprehensions than hopes." Some even say any change in the economic mechanism will mean a departure from socialist principles. But these theoretical probes may thrive behind the driving force of the Soviet leadership.

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